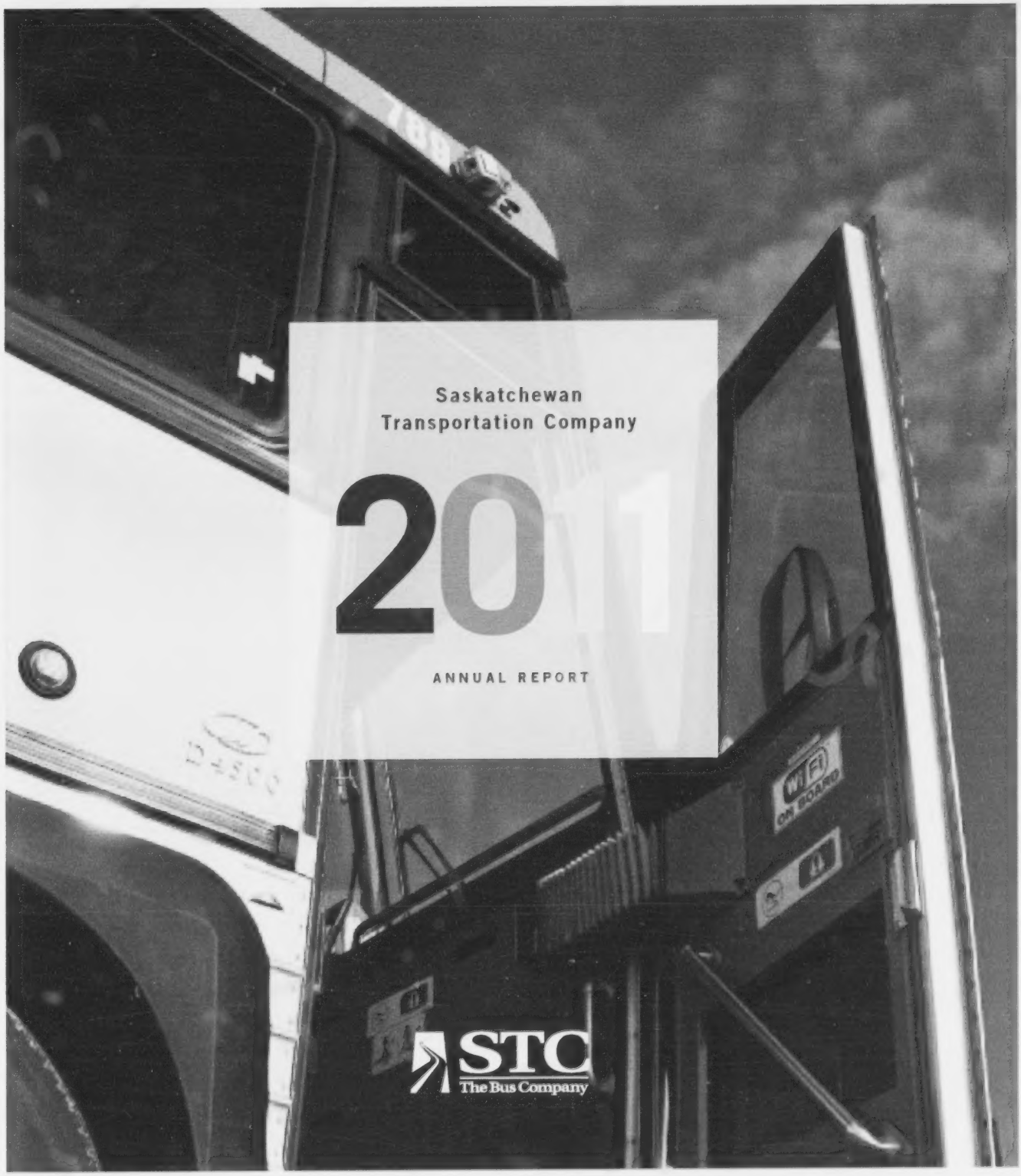

Saskatchewan Transportation Company

2011

ANNUAL REPORT

2011 AT A GLANCE

- Substantial ridership growth
- Overall ridership of 288,164 passengers, up 7.4 per cent over 2010. Sold 3,069 youth passes during June, July and August; up 21 per cent over 2010.
- Transported 22,723 seniors during the May and September seat sale; up 1,839 from 2010.
- Travelled 3.2 million scheduled miles, serving 290 Saskatchewan communities.
- All coaches fueling in Regina and Saskatoon operated on an average of two per cent canola biodiesel blend utilizing primarily Saskatchewan-grown, non-food-grade, canola.
- Operating subsidy requirement of $8.7 million.
- Passenger satisfaction rating reached 93 per cent, which is the highest on record for the company.
- Enhanced on-board amenities, added security, and continued facility improvements.
- Total revenue of $16.7 million.
- Total expenses of $28.1 million.

Corporate Mandate

The Saskatchewan Transportation Company (STC) is a provincial coach company which provides SAFE, AFFORDABLE and ACCESSIBLE bus passenger and freight services to Saskatchewan.

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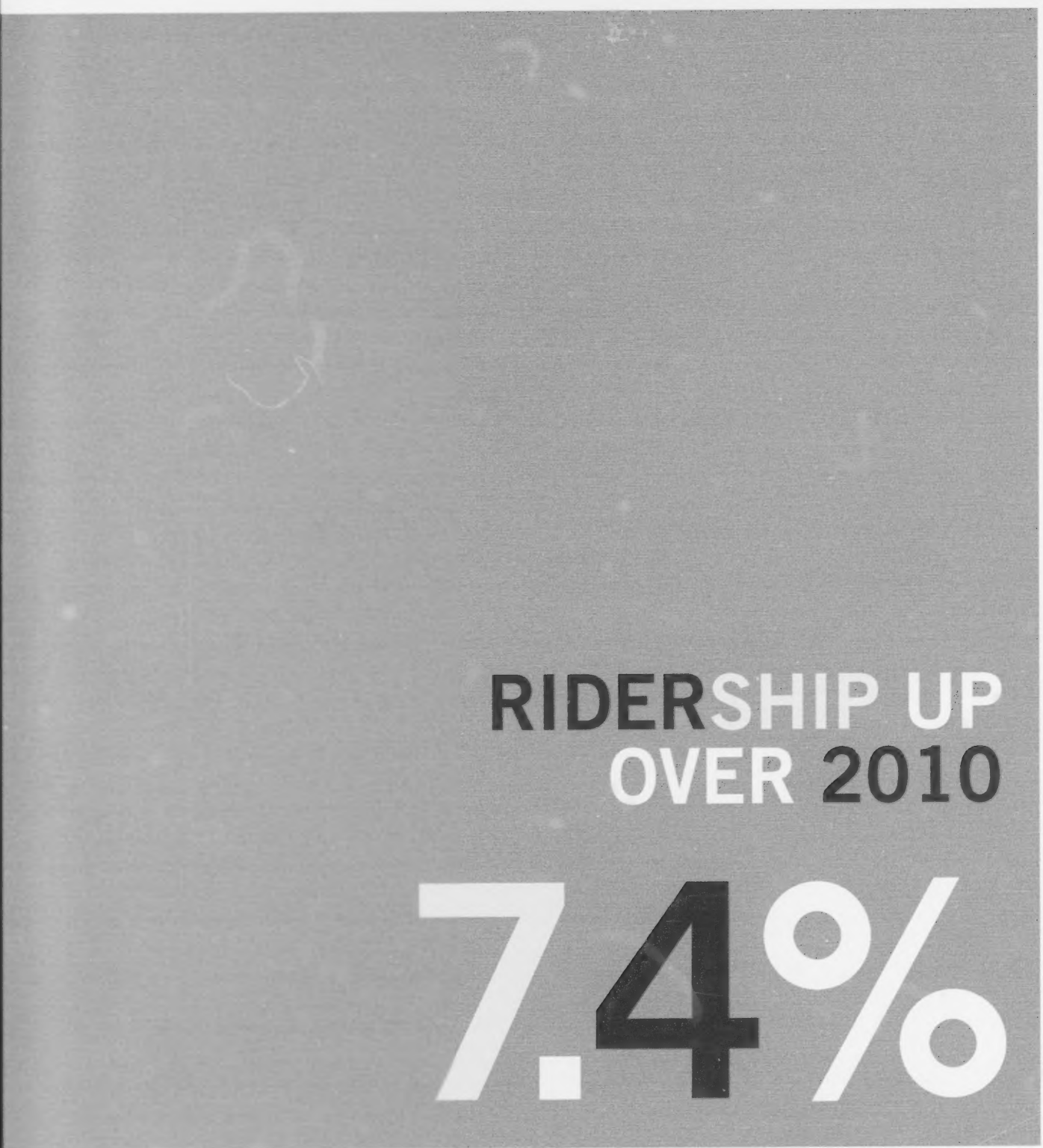

RIDERSHIP UP
OVER 2010
7.4%

Letter of Transmittal

Regina, Saskatchewan
March 31, 2012
To Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.
Lieutenant Governor of the Province of Saskatchewan

Dear Madame:

I have the honour to submit herewith the annual report of the Saskatchewan Transportation Company (STC) for the year ended December 31, 2011, in accordance with *The Crown Corporations Act, 1993*. The financial statements are in the form approved by the Treasury Board and have been duly certified by the company's auditors.

I have the honour to be, Madame,
Your obedient servant,

Honourable Jim Reiter
Minister Responsible for STC

Message from the Minister

In 2011 STC continued to serve 290 communities by transporting people and parcels across the province.

The 2011 passenger numbers show more people used STC's services. Ridership improvement of 7.4 per cent or nearly 20,000 passengers over 2010 shows growth. It is encouraging to see STC play a part in the province's accelerating economy with higher volumes, but also through agreements with local private businesses. Partnerships with interline carriers and rural businesses are beneficial to both STC's business model and the entities it partners with.

Inside this report you will find more information on STC's successes and on the company's contributions to Saskatchewan's economic development in 2011. I commend the Board, all staff at STC, and the company's private sector partners for their hard work in making 2011 a year of improvement.

I am pleased to present STC's 2011 Annual Report.

Honourable Jim Reiter
Minister Responsible for STC

Message from the Chair

It is exciting to learn more people are discovering the comfort, convenience, safety, and affordability of STC's services.

This is evident by the 7.4 per cent increase in passenger numbers over 2010. 2011 marks the second consecutive year of ridership growth. Improving passenger volumes has been a large focus of the Board. Ideas first trialed only a few years ago such as seat sale offerings, on-board amenity enhancements, and enhanced signage and advertising have produced positive ridership results and will now be operational staples for the company in years to come.

STC's customer base is comprised of people from every age demographic, including youth, people between the ages of 26 and 59, and seniors. It is important to communicate that bus travel is an environmentally friendly, affordable and convenient option for everyone. Adding Wi-Fi to over 75 per cent of the fleet makes STC an increasingly attractive option for business travel.

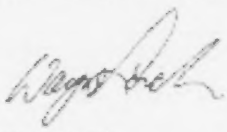
By attracting first time riders, STC also strengthens its image. Customers who travel with us have experienced how pleasant bus travel is first hand. At 93 per cent, passengers are nearly unanimous in their rating of STC's services as good or excellent. We are confident that introducing new riders to STC will improve public perception of bus travel and will reshape its image as safe, clean, comfortable and affordable.

STC is also a major carrier of parcel express packages. This service is unique and very valuable in many ways. Weekend service on select routes, pick-up and delivery in major centres, and the reach of travelling to over 200 communities differentiates the company's express service in the marketplace. Vital goods such as urgent medical supplies (blood), medical instruments, and agricultural parts are regularly transported.

Bus travel has consistently proven in studies to have a positive green impact. Promoting the numerous environmental benefits of travelling with STC is a point of emphasis and cannot be overlooked in the value STC provides to both Saskatchewan and its people.

STC will continue to work at containing controllable costs and looks forward to another year of driving towards increased ridership.

On behalf of the Board, I thank every staff member and all of our private sector partners at our various locations throughout the province for their efforts and loyalty to STC. The significant ridership growth we achieved in 2011 would not be possible without their commitment to excellent customer service. The commitment to excellence in customer service is, after all, STC's sole objective.



Wayne Lorch
Chair of the 2011 STC Board of Directors

Message from the President

2011 - A year of substantial growth

While STC had many notable achievements in 2011, most notable is the 7.4 per cent growth in ridership over 2010. It has been some time since STC had a year that experienced improvements of this level and very few times since the company's origins in 1946 have customer levels spiked so rapidly from one year to another.

The continued commitment of employees is vital to the achievements of STC. Customer service is stressed at every level of the company and is a large part of the company's 93 per cent passenger satisfaction rating of good or excellent. I thank each and every one of our staff for their efforts in 2011.

The extension of on-board amenities such as more leg room and Wi-Fi to much of our fleet makes travelling more enjoyable for our customers. Image enhancement initiatives such as effective marketing campaigns have challenged conventional perceptions about bus travel. Increasingly popular seat sales have given people more opportunities to try STC's services first hand. All of these factors have played a part in STC's growth in 2011 as the company carried nearly 290,000 passengers. Developing ideas to sustain this improvement is an exciting and welcomed challenge.

STC must ensure that costs do not rise at the same rate as volumes and revenues grow. Part of the company's mandate is efficiency. We do this in a variety of ways by attempting to match fleet sizes to passenger and freight levels, streamlining maintenance processes, and implementing efficiency programs and procedures across all levels of administration.

The company upgraded the Point of Sale (POS) system in 2011 and provided the system in our three main depots and certain agencies in the province. A number of efficiencies will be realized in the coming years thanks to the use of this system. Advantages such as automation of a number of manual processes and more complete data capture were paramount in the decision to proceed with the POS upgrade. Additional financial, marketing and customer service improvements are also possible with the upgraded system and will be part of STC's focus for the future.

STC reaches 290 communities and relies on many private businesses to fulfill this commitment to Saskatchewan. We thank all of our business partners – from local entrepreneurs acting as agents, to carriers who are contracted to transport parcels and packages to various communities. Servicing such a vast network would be nearly impossible without their support.

STC continues to advance in the area of environmental stewardship. Nearly 95 per cent of our passengers are aware of the environmental benefits of bus travel. The company implemented new strategies in 2011 to grow in this regard. The company focused on reducing electricity usage through the Server Virtualization project and installation of alternating electrical plugs in parking lots. Green initiatives will continue to be part of the company's direction in 2012.

Safety is important to STC. Our over the road safety record is a testament to the professionalism of our motor coach operators and express staff. To deliver on our reputation, STC has equipped all of its buses with Global Positioning System (GPS), employs security personnel at the three main depots, and emphasizes training to its front-line staff on First Aid, Workplace Hazardous Materials Information System (WHMIS) and other safety related courses.

A review of this annual report will detail STC's value to the people of Saskatchewan. In terms of STC's ridership growth, 2011 was a great year for STC. The real challenge will be duplicating that success again. It is an opportunity we look forward to, and we will serve our customers with pride.

Shawn Grice
President & CEO

ACHIEVING STRATEGIC GOALS

STC's strategic goals are focused around five pillars: customer, public policy, financial, people and innovation.

CUSTOMER:
STC meets the needs of customers

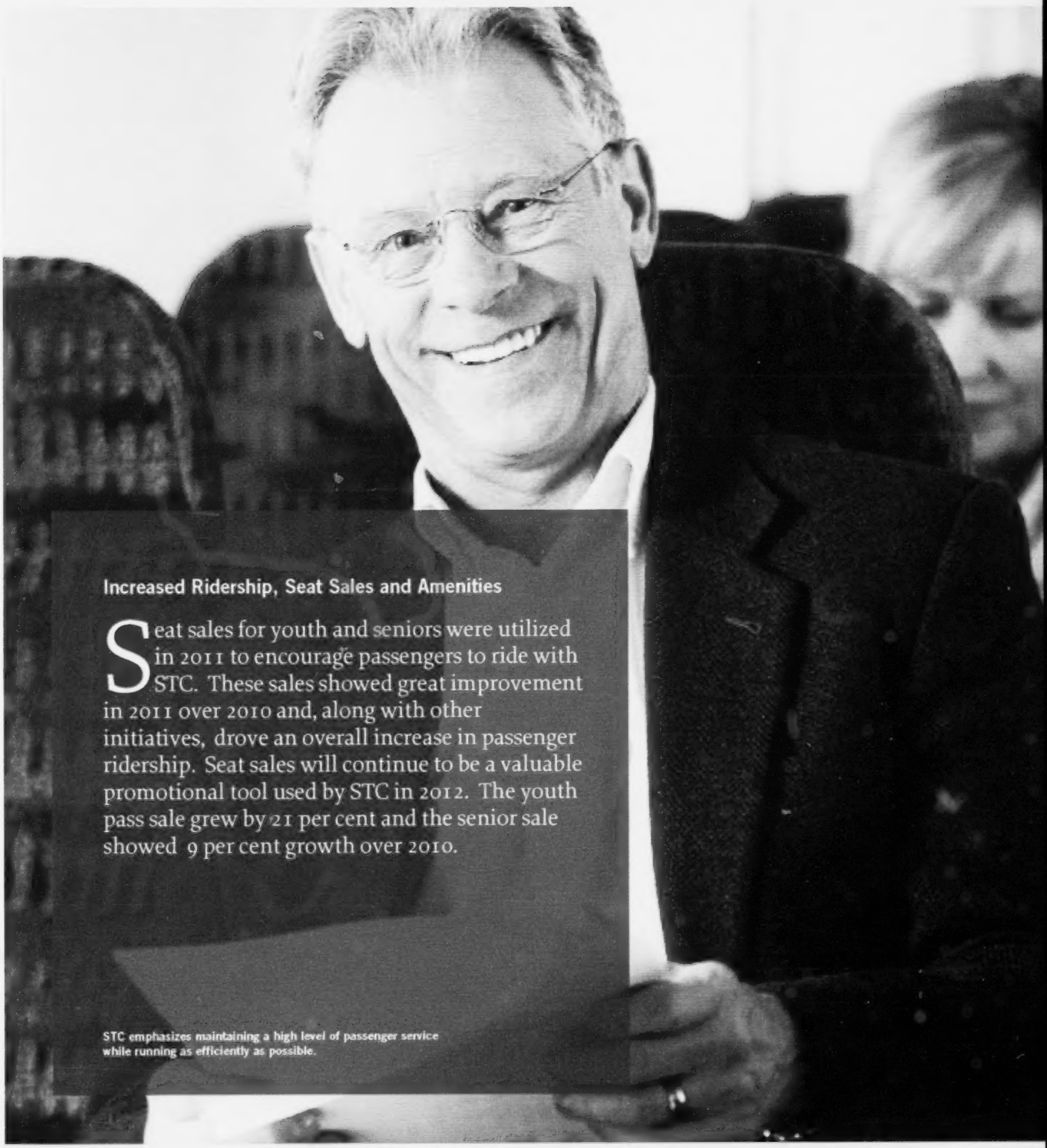
PUBLIC POLICY:
STC is a good corporate citizen

FINANCIAL:
STC is a fiscally responsible and accountable corporation

PEOPLE:
STC is a high-quality employer

INNOVATION:
STC is improving and innovating

The following section outlines STC's high level accomplishments in achieving milestones towards these goals in 2011 and initiatives for moving the company forward in 2012. More detail on the 2011 accomplishments is available in the Year in Review section of this report.



Increased Ridership, Seat Sales and Amenities

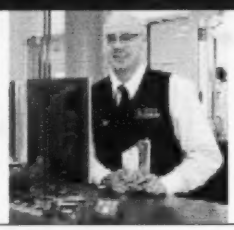
Seat sales for youth and seniors were utilized in 2011 to encourage passengers to ride with STC. These sales showed great improvement in 2011 over 2010 and, along with other initiatives, drove an overall increase in passenger ridership. Seat sales will continue to be a valuable promotional tool used by STC in 2012. The youth pass sale grew by 21 per cent and the senior sale showed 9 per cent growth over 2010.

STC emphasizes maintaining a high level of passenger service while running as efficiently as possible.

Achieving Customer Goals:

STC MEETS THE NEEDS OF CUSTOMERS

STC meets the needs of customers



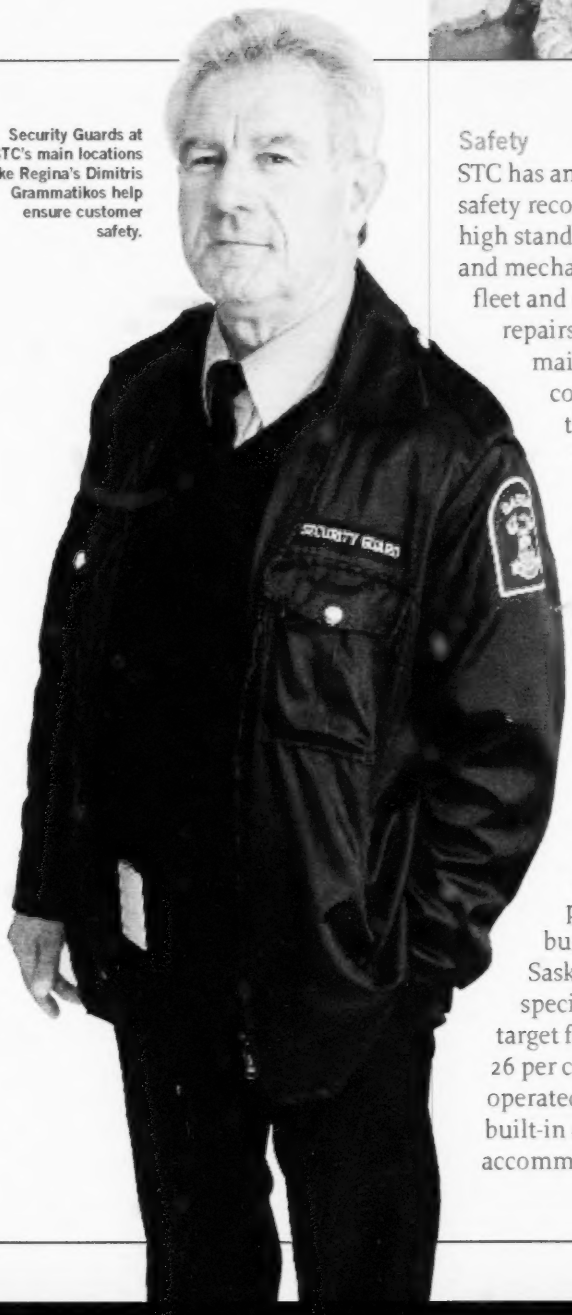
Left: STC's youth pass sales generated growth over the same months in 2010.

Right: Regina Customer Service Coordinator, Kevin Hall.

Customers

STC's standard for all new coaches will result in more leg room and the continued implementation of user-friendly amenities such as fold-down trays and AC power outlets. Further investments in passenger amenities will strengthen the appeal of bus travel to new target markets. STC is continually improving in-depot services as well, providing amenities such as wireless internet, work desk kiosks, and battery recharge stations. STC's efforts to upgrade amenities will bring Wi-Fi to customers on all buses in late 2012. All STC coaches have enhanced security including video recording equipment on the exterior and interior.

Saskatoon Passenger Service Attendant Joanne Maitland, sells the first POS Ticket in Saskatoon through the upgraded POS system



Security Guards at STC's main locations like Regina's Dimitris Grammatikos help ensure customer safety.

Safety

STC has an exemplary on-road safety record and maintains a high standard of maintenance and mechanical reliability for its fleet and equipment. Major repairs, installations and maintenance work will continue to take place at the Saskatoon garage, with the Regina garage performing more routine maintenance and servicing.

Access to Services

STC's passenger and parcel express businesses will continue to serve a significant portion of Saskatchewan. The company is committed to providing accessible bus travel for Saskatchewan people with special needs. The 2012 target for accessibility is that 26 per cent of motor coaches operated by STC will have built-in chair lifts to accommodate passengers with wheelchairs. STC will also continue to offer programs such as monthly medical travel passes and an attendant program, which allows travelers with impairments to bring another person to accompany them on their journey.

Point of Sale (POS) System

In 2011, STC began the implementation of its Galaxy Point of Sale (POS) system software upgrade. The upgraded POS will form the foundation for modern services, such as online ticketing, and will create future opportunities for new efficiencies by automating processes that are currently manual. The 2011 upgrade included the ability for ticket agents to view a map of points of service and look up fares between any two service points in the STC network while previously they could only look up fares from their own location.

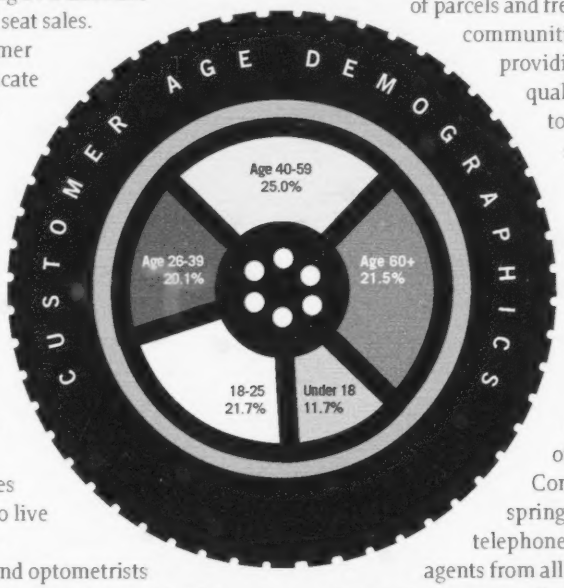
Online ticketing capability will be introduced for select routes beginning in late 2012. STC also plans to implement POS for STC's Parcel Express services in late 2012.

Toddlers line up to board a coach.

Customers (continued)

Ride Rewards Loyalty Program

In 2011, STC will continue to focus on improving communications with our customers. Part of achieving STC's customer goals will be managing the recently implemented passenger loyalty program: Ride Rewards. The program will provide customers with monthly prize draws and information regarding STC discount promotions and notification of seat sales. STC will collect valuable customer information and will communicate with customers through email. Advertising within STC terminals will promote the loyalty program. Communication with customers is accomplished through the use of low cost email "blasts" once a month.



Rural Economic Development

In 2011, STC provided valuable contributions to both urban and rural areas. In particular the company provides services that allow families who live or work in rural areas access to professionals such as dentists and optometrists who ship supplies to communities province-wide. The company supports the health system and municipalities; STC transports blood to hospitals every day and municipalities ship water samples for testing at labs.

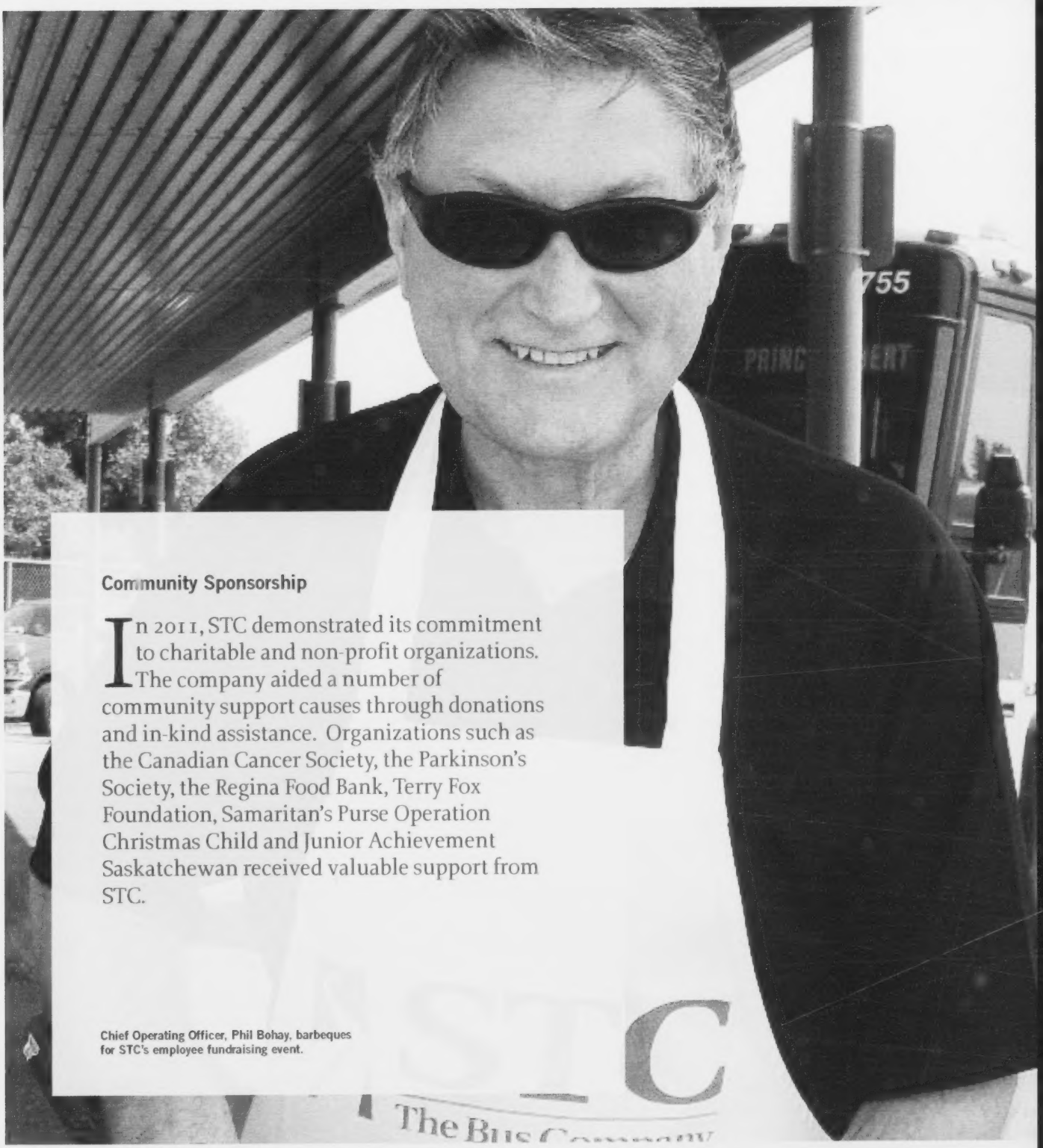
STC will continue to foster business arrangements with the private sector, helping to facilitate a private sector driven economy in Saskatchewan. STC will maintain and continue to develop agreements and partnerships across Saskatchewan with rural agents, inter-line contractors, contracted pick-up and delivery operators, and other strategic business partners.

While STC service schedules and frequencies are designed primarily to optimize services for passengers, the company realizes its parcel express operation is the primary carrier of parcels and freight in many rural communities. STC is committed to providing its freight customers with quality and reliable service. Door-to-door pick-up and delivery services in major centres and weekend delivery services to many locations will continue to be part of the company's express business.

Hosted Contact Centre

In 2011, STC contributed to the Government of Saskatchewan's initiative to reduce red tape. An example of this is STC's new Hosted Contact Centre (HCC), installed in spring 2011. The HCC is a web-based telephone system that allows ticket agents from all three terminals to share incoming customer calls from any location. For example, customer phone calls are rerouted to the Regina or Prince Albert depot if a Saskatoon ticket agent is unavailable to take the call. STC customers now enjoy the benefit of having calls answered by other employees even when ticket agents from their location are busy serving other customers.

Regina Express Service Attendant, Barry Davis, loads blood products onto a STC coach.



Community Sponsorship

In 2011, STC demonstrated its commitment to charitable and non-profit organizations. The company aided a number of community support causes through donations and in-kind assistance. Organizations such as the Canadian Cancer Society, the Parkinson's Society, the Regina Food Bank, Terry Fox Foundation, Samaritan's Purse Operation Christmas Child and Junior Achievement Saskatchewan received valuable support from STC.

Chief Operating Officer, Phil Bohay, barbeques for STC's employee fundraising event.

Achieving Public Policy Goals:

STC IS A GOOD CORPORATE CITIZEN

Generosity of STC People

Public Policy

Right: STC President & CEO, Shawn Grice, (right) presents a donation to Ennis Sauer of the Little Bald Angels Charity.

Below: STC locations in Regina, Saskatoon, and Prince Albert served as a registered distribution centre for Operation Christmas Child which provides shoeboxes full of presents and necessary items to needy children around the world.

Each year STC holds barbecues at each depot for staff to raise funds for the charity that has been chosen by the company. In 2011, STC employees raised money for the Little Bald Angels Charity, which supports pediatric cancer patients and their families in Saskatchewan.

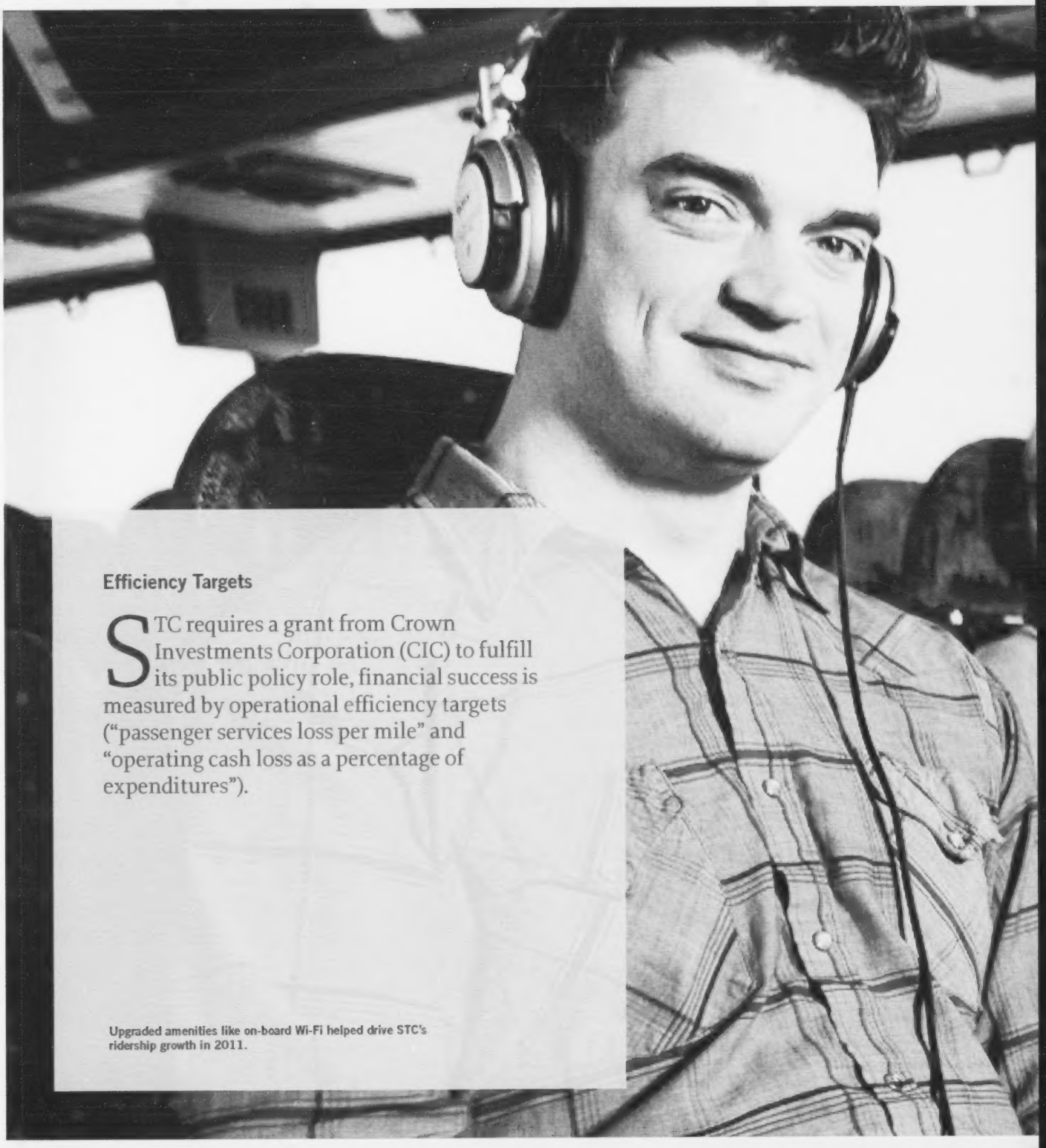
Far Left: Children on a facility tour try out the luggage compartment of a coach.

Left: Junior Achievement Verve Symposium sponsored by STC.

Right: Children enjoy one of STC's guided tours.

Emergency Response

The diversity of Saskatchewan's Emergency Measure Organization actions in 2011 ranged from forest fire evacuations to flood relief. In 2011, STC assisted northern Saskatchewan residents to evacuate from forest fires to safety and assisted Saskatchewan communities affected by severe spring flooding by transporting volunteers to rural communities to assist with sandbagging. STC's actions were coordinated by the provincial Emergency Measures Organization.



Efficiency Targets

STC requires a grant from Crown Investments Corporation (CIC) to fulfill its public policy role, financial success is measured by operational efficiency targets ("passenger services loss per mile" and "operating cash loss as a percentage of expenditures").

Upgraded amenities like on-board Wi-Fi helped drive STC's ridership growth in 2011.

Achieving Financial Goals:

STC IS A FISCALLY RESPONSIBLE & ACCOUNTABLE CORPORATION

International Financial Reporting Standards (IFRS)

STC's Regina depot and head office.

Financial

In 2011, profits from parcel express, bus wraps, charter services, signs on STC property and foreign coach maintenance offset some of the passenger services losses. In 2012, these alternative revenue sources will continue to offset some of the forecasted passenger services losses.

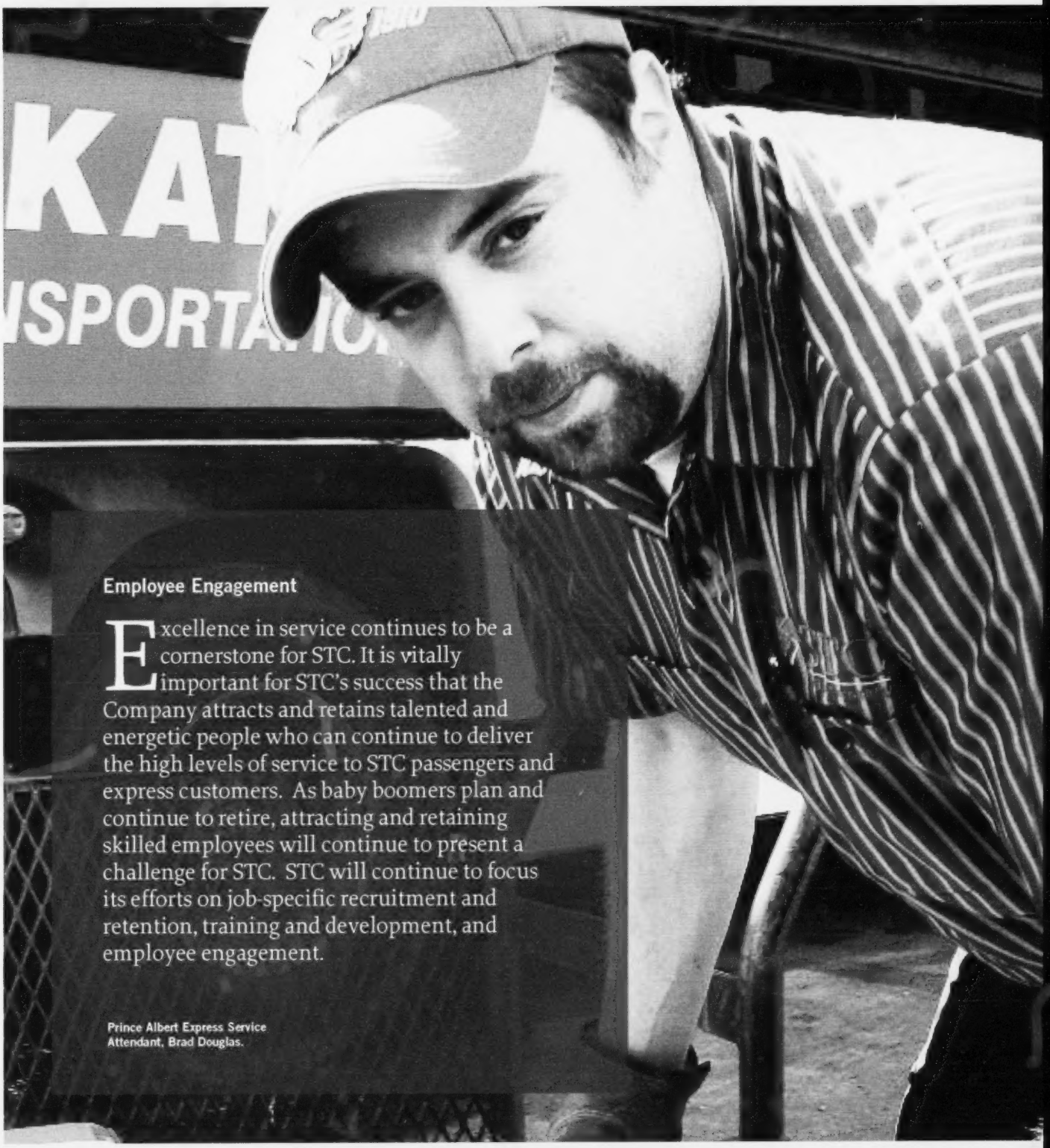
STC has strict internal financial and reporting controls and the Company will continue to implement policies and procedures to strengthen these controls.

STC's approach to corporate governance is consistent with the guidelines set forth in the *Canadian Securities Administrators (CSA) National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.* These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance. While STC is not a publicly traded company, its practices will remain benchmarked against these current industry best practices in 2012.

The conversion from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS) was completed in 2011.

Lean

Lean manufacturing, lean enterprise, or lean production, often simply, referred to as "Lean," is a production practice that helps companies examine their own corporate processes to become more efficient. In 2011, STC engaged expertise to begin implementing Lean processes to make service and maintenance processes more efficient. In 2012, STC will continue to make transportation affordable for people in Saskatchewan by managing an efficient operation and by implementing improvements to service, safety and maintenance processes.



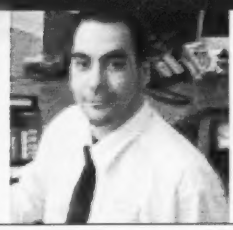
Employee Engagement

Excellence in service continues to be a cornerstone for STC. It is vitally important for STC's success that the Company attracts and retains talented and energetic people who can continue to deliver the high levels of service to STC passengers and express customers. As baby boomers plan and continue to retire, attracting and retaining skilled employees will continue to present a challenge for STC. STC will continue to focus its efforts on job-specific recruitment and retention, training and development, and employee engagement.

Prince Albert Express Service Attendant, Brad Douglas.

Achieving People Goals:

STC IS A HIGH-QUALITY EMPLOYER



Diversity

People

In 2011, STC continued to make progress towards achieving a representative workforce. The company exceeded the aboriginal, visible minority and women in underrepresented occupations targets. The company is committed to creating a workplace that reflects Saskatchewan's diversity and will strive to continue this progress in 2012.

Far Left: Saskatoon Express Service Attendant 2, Gloria Sanders.

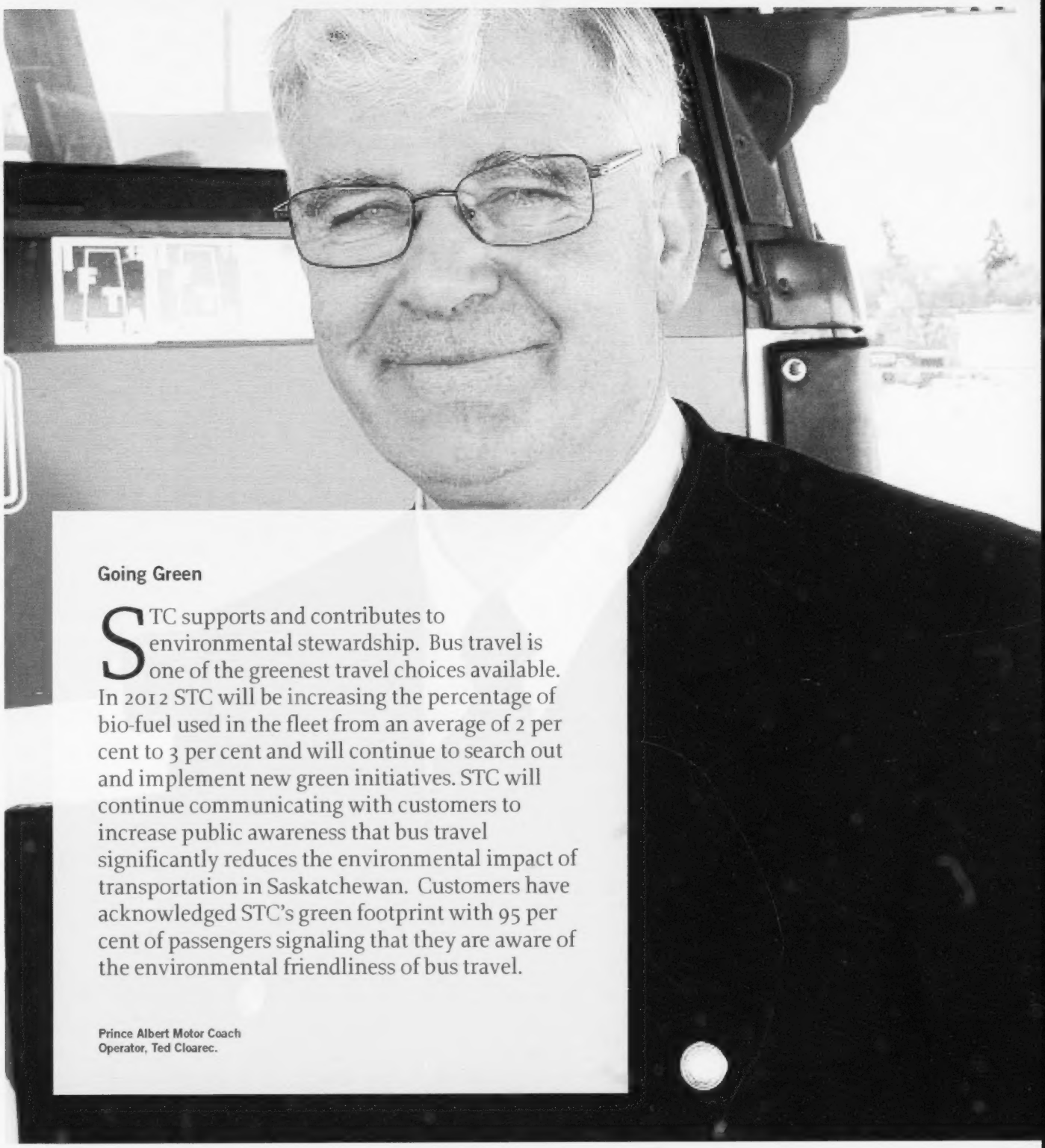
Left: Regina Passenger Service Attendant, William Morrison.

Right: Gradworks Intern, Kaitlyn Rude.

Regina Customer Service Coordinator, Gerald Gottinger, makes sure parcels reach their proper destination quickly and safely.

STC provides work opportunities for youth by participating in the Gradworks Intern Program, a Crown Investments Corporation (CIC) sponsored program designed to provide recent post-secondary graduates with challenging, career-focused, positions within Saskatchewan's Crown Sector.

Training and development for employees is one of the best tools for retaining people. Employees who are fully prepared to work well in their jobs are engaged and ready to serve customers. In 2011, STC offered safety training, job specific training and training related to new initiatives, such as training provided to ticket agents in advance of upgrading the Galaxy POS system.



Going Green

STC supports and contributes to environmental stewardship. Bus travel is one of the greenest travel choices available. In 2012 STC will be increasing the percentage of bio-fuel used in the fleet from an average of 2 per cent to 3 per cent and will continue to search out and implement new green initiatives. STC will continue communicating with customers to increase public awareness that bus travel significantly reduces the environmental impact of transportation in Saskatchewan. Customers have acknowledged STC's green footprint with 95 per cent of passengers signaling that they are aware of the environmental friendliness of bus travel.

Prince Albert Motor Coach Operator, Ted Cloarec.

Achieving Innovation Goals:

STC IS IMPROVING & INNOVATING

Tourism and Brand Recognition

STC customers enjoy the new amenities such as WiFi and additional leg room.

Innovation

In 2011, STC laid the foundation for potential 2012 growth in tourism and rural brand recognition related opportunities. In 2011 the first of these discussions came to fruition and a partnership with the Regina Inn was formed that offers customers a discount travel package that includes bus fare and a one night stay at the Regina Inn.

YOUR GREAT ESCAPE.
STC
The Bus Company
The Regina Inn is Teaming up With STC to Bring You Convenient, Fun-Packed Get-Aways!
Hit the casino, dinner theatre, shopping, or make that early morning flight from Regina to a warmer destination without the worry of winter driving.
Package Includes*: bus transportation, an overnight stay at the Regina Inn, and a return trip for only
$165
To book: 1.800.667.8162 or online at www.reginainn.com/promotions
REGINA INN

Right: "Parcel to ship? Send it by bus!" wraps were added to many STC trailers.

Further discussions with private sector tourism businesses, Temple Gardens Mineral Spa Resort and Manitou Springs Resort and Mineral Spa, and with various sports related organizations, such as the Regina Pats, regarding potential partnerships are expected to lead to new value in 2012. STC will continue to explore opportunities to promote bus transportation as a viable business travel option. These opportunities will be pursued to increase the potential for new ridership in cities and rural areas.

New Parcel Express Product

In 2012, STC will introduce an envelope product for express customers. The Econoletter is a smaller, rigid envelope which will accommodate documents or other contents weighing up to one pound. The rigid envelope design is expected to attract customers by its convenience and ability to preserve the quality of paper documents while shipping.

STC
The Bus Company

Divisions of STC

CUSTOMER SERVICES AND OPERATIONS

The Customer Services and Operations division is responsible for passenger, parcel express, and maintenance services. The division includes the following components:

Passenger Services

Passenger Services is responsible for ensuring passengers enjoy safe and reliable transportation. Some of its functions are operating motor coaches, issuing of tickets, scheduling, maintenance of tariffs, dispatching of buses and drivers, as well as managing the network of 197 agencies and the maintenance and management of buildings. In addition to regular passenger services, charter services are also operated and managed in this area.

Parcel Express Services

Parcel Express Services is responsible for the freight and baggage handling for all STC coaches and connecting carriers. Door-to-door pickup and delivery services are also available in Regina, Saskatoon, Prince Albert and in some designated rural agencies.

Maintenance Services

Maintenance Services' primary responsibility is to maintain, clean and provide storage for all STC vehicles. It is also responsible for the procurement of all corporate vehicles. These duties are performed in the two service garages in Saskatoon and Regina. This area also provides maintenance, cleaning services and storage to coaches of other carriers on a contract basis. When required, it is also responsible for on-the-road servicing of STC coaches.

FINANCE

The Finance division provides the information required to monitor STC's performance and make effective decisions. The division delivers accurate financial reporting, budgeting and forecasting; assesses risk and insurance requirements; and, monitors internal control functions. In addition, specific groups within the division are responsible for billing and collection of revenue, issuing payments to suppliers, monitoring reports from agencies and processing reclaims with partner carriers.

CORPORATE SYSTEMS AND TECHNOLOGY

STC's Corporate Systems and Technology division is responsible for implementing and maintaining efficient business processes through the introduction of new technologies. It ensures that ticketing and freight systems across Saskatchewan are capable of serving STC's customers 24/7 in a quick and convenient manner.

It ensures the reliability and integrity of data, electronic communications, software applications and web services. The division also provides technical support across the province to employees operating a variety of systems that support the business, as well as to major customers that have STC shipping systems in their distribution centres.

The Corporate Systems and Technology division is responsible for procurement and management of all corporate hardware and software.

HUMAN RESOURCES AND PAYROLL

The Human Resources and Payroll division provides leadership and strategic human resource advice/support to ensure STC has a strong and committed workforce. To ensure a standard of excellence, the division delivers human resource services, including recruitment and retention; labour relations; human resource policy and planning; learning and development; organizational development and design; payroll and benefits administration; occupational health and safety; diversity and rehabilitation/return to work programs. The division also plays a key role in representing the employer during collective agreement bargaining with the Amalgamated Transit Union Local 1374 and contributing to a positive employer/employee relationship.

STRATEGIC PLANNING AND COMMUNICATIONS

The Strategic Planning and Communications division is responsible for corporate communications and strategic planning. The division establishes STC's planning process, its strategic business plans and reports on performance and governance compliance. It is responsible for promotional advertising, corporate branding, public relations and ensuring effective communications between the company and its shareholder Crown Investments Corporation (CIC), the media and the Government of Saskatchewan. The division also has responsibility for privacy of information and requests under freedom of information legislation.

Year in Review

Building on the success of 2010, 2011 was a year of incredible growth for passenger transportation at STC.

In 2010, STC reversed a trend of slumping ridership to carry 3.8 per cent more passengers than in 2009. In 2011, STC exceeded the growth of 2010 by carrying 7.4 per cent more passengers than the previous year. The combined growth in 2010 and 2011 is nearly 30,000 new passengers or 3 per cent of the province's total population.

Many factors are responsible for the company's successes in 2011. Continued excellent customer service, ongoing image enhancement, seat sales, the opportunity to offer service to many non-traditional users such as business travelers, who are finding they can remain productive using Wi-Fi while travelling, and continually seeking to improve the on-board experience of passengers drove the number of total riders in 2011 to heights not seen in a decade.

Public perception of those who have never ridden the bus reflects industry-wide concerns about safety, cleanliness, and convenience of bus travel. However, customers who have ridden with STC rate the company very positively on these factors.

STC has worked tirelessly over the last few years to counteract this attitude. Through a number of initiatives and innovations, STC has grown its ridership in two successive years.

Ridership increases

STC carried a total of 288,164 riders in 2011, an increase of 7.4 per cent over 2010. In many respects, this was a landmark year for the company and was the highest ridership growth year over year in recent history.

A number of factors contributed to the strong growth rate in 2011, these include seat sales, increased amenities, advertising and customer-focused service.

Seat Sales

The company offered its highly popular seat sales to youth and seniors. The sales targeted each demographic with a discounted offer. The sales were as follows:

- The Youth Pass was a $40 flat rate promotion for youth aged 12 to 25. Customers received unlimited travel anywhere along STC's network during the calendar month. The pass was offered in June, July, and August.
- The $10 Seniors Anywhere Fare was a flat rate promotion that allowed seniors (ages 60+) to travel anywhere on STC's network for just $10 per one way ticket for the months of May and September.

Both sales are in their relative infancies as the first full year they were offered was 2010. With that in mind, 2011 built on the momentum of 2010's sales. STC sold 9 per cent more senior fares in May and September of 2011 than in 2010 and sales of youth passes surpassed numbers from the previous year by 21 per cent.

While short-term seat sales stimulated growth in youth and senior ridership, passenger statistics show that ridership was growing consistently in non-seat sale months. In addition, surveys revealed that ridership in the 26-59 age range is also growing as more and more travellers are being attracted to the convenience of travelling by bus. It is important for the company to attract riders of all ages for its long-term viability, and recent surveys show that the age distribution of STC passengers is almost equally spread across age groups.

Amenities

Another factor that contributed to the strong growth rate in 2011 was increasing on-board amenities. Seeking ways to improve the on-board experience is constantly emphasized by STC and the company boasts a 93 per cent passenger satisfaction rating thanks in part to these initiatives.
STC has always prided itself on offering an enjoyable ride to

passengers. Enhancing amenities was a focal point of the company's goal to improve the on-board experience of patrons in 2011. Over 75 per cent of coaches had Wi-Fi installed as of year-end 2011 which allowed passengers to surf the internet, do homework, or conduct business while travelling. By the end of 2012, the company plans to have 100 per cent of its fleet equipped with Wi-Fi. A number of STC coaches are also equipped with extras such as fold-down trays for selected seats, AC power outlets, blinds, and extended leg room.

STC also focuses on the in-terminal experience for customers. STC's terminals in Regina, Saskatoon and Prince Albert include a variety of upgrades, such as lighting, seating, parking and public washroom improvements. Power charging stations were installed at all three terminals where STC provides Wi-Fi and a workspace for passengers on layovers.

Marketing and Image Enhancement

Through a variety of communications methods, STC has continued to work to become a more customer-focused business.

In 2011, the company explored ways of offering on-board entertainment to passengers as this was rated as desirable on the 2010 passenger survey. The 2011 passenger survey revealed that on-board video has dropped on the list of things customers want most with increased leg room and Wi-Fi moving above company provided video entertainment. STC listens to customer feedback and will be providing improved leg room on new coaches and will provide Wi-Fi on 100 per cent of coaches by year end 2012.

A province-wide advertising campaign in 2011 promoted STC buses as clean, safe and comfortable. Public perception of bus travel is an obstacle for carriers throughout the entire industry with STC being no different. A focus has been put on communicating the wide array of amenities available to customers. Continuing to deliver a high standard of cleanliness and safety remains a top priority for the company.

New signage was installed in Regina on the building's exterior, in the passenger lobby and in the express customer area. In Saskatoon new exterior signage was installed. Prince Albert and Saskatoon received new in-terminal advertising. The new signs will be updated to advertise seat sales and general passenger and express branding.

Automated announcements were added in the Regina Terminal to ensure passengers are provided with information in a timely manner when ticket agents are busy serving other customers.

Beginning in 2011, STC launched its Ride Rewards program that gives customers an opportunity to be informed of company discounts and to be entered to win monthly prizes. This program has helped STC get more familiar with its customer base. Becoming a program member is just as beneficial for a passenger riding weekly as it is for someone trying STC for the first time.

Cross-promoting STC with initiatives such as CTV's Hometown Tour has continued to be successful. STC purchases advertising from CTV and provides CTV with a bus and driver for each stop on the Hometown Tour. STC receives significant exposure from the event at rural communities around the province. The company provided product information and asked customers to sign up for the STC Ride Rewards loyalty program in each small town to encourage people from rural Saskatchewan to ride and ship with STC. More opportunities to leverage the CTV partnership and to enter partnerships with other businesses will be explored in 2012 and beyond.

Year in Review (continued)

Employee Commitment

Customer service is STC's top priority and is frequently stressed to employees at every level and in all departments. Customers interact with multiple employees every trip – from ticket agents and drivers to custodians and head office employees – and the checklist to ensure customer service standards are met is lengthy.

STC has methods in place to improve its customer service. Regular communication vehicles such as quarterly meetings, the employee intranet site and bi-monthly staff newsletter are used to communicate plans, company standards, and to keep staff informed. Employee functions like annual summer barbeques intend to keep morale high and staff engaged in community support initiatives.

As a byproduct of Saskatchewan's growing economy, recruitment and retention of employees is an emerging challenge in the marketplace. Recruiting skilled and talented workers is becoming more competitive in the transportation industry. STC has and will continue to seek creative solutions in its human resources initiatives, such as the utilization of targeted recruitments, technology, print, etc. to reach candidates in Saskatchewan and other provinces. In 2011, STC strengthened relationships with employment agencies and made targeted use of technology in the ongoing effort to recruit talented and skilled people.

Ground work on employee engagement was done to start the process of improving employee retention. Internship programs such as Gradworks are used to alleviate some workforce challenges and provide real learning opportunities for recent graduates.

A greater emphasis will be placed on working with employment agencies, employees, and job fairs to communicate career and position opportunities within STC in 2012. STC will continue to make use of social media and the STC website in a way that connects with youth. The company encourages current employees to spread the message that STC is a great place to work.

STC is proud to boast a workforce representative of Saskatchewan's general population. Aboriginal and visible minority employees bring valued diversity to the organization. As part of the company's Balanced Scorecard, STC tracks the year-to-year staffing levels of various minorities with the goal of creating a diverse workforce over the next several years. In 2011, the company was on target with these measures. STC is continually working to attract diverse and talented people to its team.

Environmental Responsibility

STC continues to place a high level of importance on environmental stewardship and it remains one of the corporation's top values.

By its very nature, bus transportation is helpful to the environment. One STC bus can displace emissions from 55 private vehicles and Transport Canada reports bus travel as having the lowest social cost (air pollution, greenhouse gas emissions, noise, road congestion and accidents) per passenger kilometer as compared to any other form of transportation.[1]

STC has set targets to implement environmentally friendly initiatives annually as part of the corporation's Balanced Scorecard. In 2011, installation of alternating electrical plugs in parking lots will reduce corporate power consumption, and implementation of Network Server Virtualization that allows one server to perform the role of many servers will reduce future costs for hardware, storage,

[1] Bruno Jacques, Economic and Environmental Analysis and Research, Transport Canada, *"Estimates of the Full Cost of Transportation in Canada: An overview"* (presented at the Mobility Pricing Conference, Toronto, Ontario, February 3, 2011).

memory and power. Environmental messaging is displayed consistently throughout STC's advertising and passenger communications.

Service Changes

The Canadian bus industry underwent some noteworthy changes in 2011. These changes impacted STC in 2011 and will continue to do so for the foreseeable future. The province of Alberta changed its bus service regulations during the year, opening competition along high volume routes and no longer directing carriers to continue running on other low volume routes. This decision directly impacted STC when Greyhound Canada Transportation Corporation (GCTC or Greyhound) announced the discontinuation of service between Alsask and Calgary. STC saw a serious decline in ridership in the fourth quarter of 2011 on this route and expects the Greyhound service changes to continue to have a negative effect on ridership in 2012.

Prior to this announcement, STC connected with Greyhound at Alsask on the Saskatoon - Alsask schedule to transport passengers travelling west beyond Saskatchewan. With the loss of the Greyhound connection, Saskatoon passengers travelling to Calgary would now have to travel through either Edmonton or Swift Current.

With Greyhound's decision to drop the Alsask to Calgary schedule, STC modified the Saskatoon to Alsask schedule to keep service seven days a week and changed the schedule to depart at 11:45 a.m., a more convenient time of day for customers in and between Alsask and Saskatoon.

A provider from Alsask launched a small passenger service to connect Alsask with Calgary in January 2012 that will at least somewhat replace the loss of Greyhound service on this corridor. In addition, this provider, in cooperation with Greyhound, operates a seven day a week freight service between Alsask and Calgary. The passenger and freight service is under the name Alsask Bus Service Ltd. STC has entered into an interline arrangement with Alsask Bus Service Ltd. to meet in Alsask on STC's Saskatoon – Alsask route and transport passengers and freight continuing westbound. This agreement increases convenience for passengers attempting to travel from Saskatoon – Calgary and all points in between. STC does not expect to fully re-establish the yearly ridership of approximately 12,000 that were previously using the Saskatoon-Alsask-Calgary route.

Going forward, STC's objective is to grow system wide ridership by 1 per cent in each of the next five years.

Deregulation and route cuts by other carriers are a concern for STC going forward as passengers looking to travel outside of Saskatchewan rely on transportation companies connecting with STC. Maintaining a positive relationship with other industry players is essential to sustain STC's customer service standards.

Ensuring Passenger Safety

Whether it is by providing stress free passage through difficult road conditions, transporting parcels harmlessly to their destination or handling unusual situations, safety is vitally important to STC.

Ensuring passengers are at ease starts with the company's professionally trained motor coach operators. STC's incomparable over the road safety record was put to the test in 2011 with storms, flooding, and record snowfalls hitting Saskatchewan. Through it all, STC still maintained its enviable safety record.

Passengers riding with STC are encouraged to keep carry-on baggage to a minimum and stow most luggage in the lower baggage compartment. Drivers have authority to inspect passenger baggage and restrict carry-on baggage at their discretion. Security personnel are present at STC's primary terminals to assist drivers and staff with these security measures.

Year in Review (continued)

All buses are installed with Global Positioning Systems (GPS) and on-board cameras, both inside and out, for dispatchers to monitor coaches and identify security or safety concerns.

STC continues to invest in the training and development of employees to enhance the customer service and the safety experience of the company's passenger and freight customers. STC trains a number of employees each year with courses such as Cardiopulmonary Resuscitation (CPR) and First Aid.

Maintenance Standards

Part of STC's primary mission is to provide safe and reliable passenger and parcel express services to the residents of Saskatchewan. Company maintenance standards align with this mandate by ensuring all vehicles have a high safety standard.

Mechanics adhere to a checklist of tests and inspections on every regularly scheduled service to the engine and body of the coach. Major service and inspections are performed in Saskatoon while some routine inspections are conducted at Regina's garage facility.

Operating Efficiently

Similar to all companies, STC must always be mindful of costs when conducting its business practices. STC has taken steps to manage efficiently, including annual route reviews, trials of new coaches to match to capacity and Lean reviews of operations areas.

Short and long-term targets are an important part of STC's business plan. Undertaking cost efficiency strategies shows the company's commitment to the Government of Saskatchewan and to Saskatchewan taxpayers. STC monitors its progress in operating efficiently through company scorecard measures such as operating cash loss as a percentage of overall expenditures and passenger service loss per mile. In 2011, STC exceeded its goals in both of these metrics and provided Saskatchewan citizens with good value for their contributions. Customer service standards are not sacrificed at the expense of cost savings. Ninety-three per cent of passengers rated STC's service as "good" or "excellent."

One example of how STC accomplishes efficiency goals is the upgrading of technology. In 2011, STC accomplished the first phase of the installation of its upgraded passenger Galaxy Point of Sale (POS) system. The system was installed in STC's three main terminals, Regina, Saskatoon, and Prince Albert first, and then extended to STC's automated agencies. This initiative will bring about efficiencies such as the ability to automate current manual processes and will provide enhanced data capture.

The upgraded Galaxy system has many benefits over the current system such as its user-friendly interface that includes a route map display for looking up the nearest available service points and connecting stops. This will be especially beneficial for new employees who are not as familiar with STC's current routes and would have to look up scheduling information manually. Galaxy will also make it easier to track ticket revenues, monthly ridership results and will also give STC the ability to look up a fare from any origin to any destination. The point-to-point pricing is the most attractive feature to STC ticket agents. In the non-upgraded system, ticket agents had to manually look up fares that were not from their location, in the upgraded system, fares between any two points in the STC network are available.

STC's POS Working Committee looked at a number of systems before deciding on the upgraded Galaxy system when tasked with this project. The decision was made to go with the Galaxy product because it offered the most value, provided the best functionality and the most opportunity for future growth.

Community Support

In 2011, STC sent children to summer camp, transported elementary school safety patrollers from across the province to their year-end social, and provided complimentary shipping to a number of worthy causes.

STC sponsored Junior Achievement's second annual "Verve Symposium of Young Innovators and Entrepreneurs" (Verve) that was held on May 27-29, 2011. Verve is an annual youth conference designed to engage high school student Achievers in a weekend conference focused on entrepreneurial challenges, inspiration through guest speakers, and fun. Student delegates were from Regina, Whitecap Dakota First Nation, Edmonton, Calgary, Sherwood Park, Beaumont, and Saskatoon.

STC's corporate stewardship goes beyond in-kind donations. Every year, the company raises money for charity through their staff barbeques and other fundraising events. In 2011, the Little Bald Angels and Special Olympics were benefactors of money raised by employees.

Economic Support

Through company purchases and partnerships with the private sector, STC acknowledges the importance of investing in Saskatchewan. In 2011, the company partnered with 227 different businesses in almost 200 communities. STC's relationships with the private sector facilitate economic development in Saskatchewan and allow STC to conduct its business in the most efficient way possible. These partnerships assist STC in remaining efficient and in providing service to remote or outlying areas of the province. In larger urban centres, STC partners with private operators for freight pick-up and delivery services. There are numerous other examples of private sector partnerships that STC has in place.

Management Discussion and Analysis

The following Management Discussion and Analysis (MD&A) highlights the primary factors that impacted STC operations and financial results of the company for the year ended December 31, 2011. The MD&A provides management's perspective of the corporation for the previous 12 months. It should be read in conjunction with the audited financial statements and accompanying notes. The MD&A includes industry information, risk assessment, financial performance and the Balanced Scorecard.

Industry Overview

STC has the bulk of the intercity bus passenger business in Saskatchewan. Greyhound operates two routes through the province (along the Trans-Canada and Yellowhead Highways). There are also a number of private sector carriers who have interline and other contractual arrangements with STC to serve specific areas.

The motor carrier passenger industry has significant economic and societal influence on Canada and Canadians producing many benefits including: public mobility, cost-efficient transportation that stimulates economic development, environmentally-sound solutions to traffic congestion, reduction of energy consumption and improved air quality.

STC and other industry players are affected by many factors from the dispersed population, ridership profiles, competition with other forms of travel, growing customer expectations and public perception of bus travel. In 2011, STC responded and proactively managed these industry challenges and will continue to do so in 2012. STC has reinforced security, safety, comfort and affordability as brand attributes.

Saskatchewan's economic forecast remains strong, the province will lead the nation with a projected rise of 5.1% real gross domestic product (GDP) in 2011; for 2012 retail sales are up, wholesale sales are up and construction permits have increased.

RISK ASSESSMENT

Fleet Age

STC has an aging fleet and without sustained increases in capital spending, the potential exists for a number of issues to arise, including increased maintenance costs, poor customer experience and comfort, and the lack of ability to offer on-board amenities. STC will continue to ensure that as much of the company's capital investment is directed towards fleet to ensure modern and safe coach service is provided for customers.

Greyhound Service Cuts

STC's business is closely tied to Greyhound through interline arrangements. STC agents and ticket office staff sell Greyhound tickets, making STC the face of Greyhound in Saskatchewan. As Greyhound continues to make service cuts, passenger and parcel customers will be impacted as a result of connections no longer meeting their needs. Identity confusion between the two companies continues to be a risk. In 2008, Greyhound removed its customer service agent in Regina, resulting in nearly all Greyhound service inquiries being directed at and managed by STC staff.

In 2009, Greyhound reduced frequency of bus service along Highway 1 through Saskatchewan from three schedule routes to two daily in each direction. This reduction in services impacted both STC's passenger and express connections in Regina, Moose Jaw and Swift Current. Fewer connections reduced STC's revenues from Greyhound commissions and caused longer wait times for passengers and express shipments. STC experienced a 28.6 per cent decline in Greyhound passenger commissions and 10.7 per cent decline in Greyhound express commission for 2009, with an overall financial loss of $251,800.

In late 2010, Greyhound reduced frequency of bus service along Highway 16, which reduced the number of schedules between Yorkton and Saskatoon from four to two.

On October 24, 2011, Greyhound announced elimination of service between Calgary and Alsask, where Greyhound meets STC buses from Saskatoon. A provider from Alsask launched a small passenger service in January, 2012 to connect Alsask with Calgary. STC is interlining with this provider.

Effective February 18, 2012, Greyhound will be reducing its service between Saskatoon and Edmonton along the Yellowhead Route of the Trans-Canada Highway, and will be eliminating service along Saskatchewan Highway 40 and Alberta Highway 14. Three Saskatchewan communities currently served by Greyhound (Cut Knife, Neilburg and Marsden) will no longer have passenger or parcel service as a result of these changes. STC will re-direct freight service formerly bound to these communities to North Battleford.

The Greyhound reduction means that service between Saskatoon and Edmonton will move from four trips daily to two. The reduction in frequency along the Yellowhead Route will affect the ability of passengers to connect with buses traveling to Edmonton. The Greyhound schedule reduction between Saskatoon and Edmonton will only allow those travelers from the Regina or Prince Albert schedule to make same-day connections along the Yellowhead Route. STC will need to assess the implications of the schedule reductions between Edmonton and Saskatoon over the next six to twelve months.

STC will continue to monitor industry activity in order to determine the effect on STC customers.

Increased Operating Costs

Fluctuating fuel prices will continue to impact the company going forward. Labour costs continue to comprise a large portion of STC's operating costs. Mitigation of this risk includes having a designated vendor for fuel and putting human resource programs such as employee development in place to encourage retention of existing employees.

Recruitment and Retention of Employees

With a growing number of employees approaching retirement coupled with increased employment opportunities within the province, STC is challenged in both its recruitment and retention initiatives. In 2011, STC experienced an acute shortage of certified journeyperson mechanics – a situation that was made more difficult due to a continuing shortage of skilled tradespeople in Saskatchewan's booming economy. Similar to 2010, STC's recruitment and retention difficulties extended into other areas of the company; to positions requiring professional accounting experience, motor coach operators, coach cleaners, and express service attendants.

Mitigation of this risk includes programs to retain employees by increasing employee engagement such as enhancing change management involvement for projects, employee feedback through surveys and employee training and development. Mitigation of recruitment issues is partially addressed through various approaches to attracting employees through advertising of available positions online, in print, through employment agencies. A major challenge is to properly forecast staffing needs into the future, matching planned retirements, turnover and growth areas. Managing this while competing for limited qualified resources is key to the company's success.

Geographically Dispersed Population

Saskatchewan has more than 16,000 miles of provincial highways. Including municipal roads, Saskatchewan's total road surface is approximately 119,000 miles.

In 2011, STC operated more than 3.2 million miles of scheduled bus service and provided connections to 290 communities. Frequency of service is limited on some routes with low passenger numbers. This allows STC to contain costs, but also negatively impacts passenger convenience. STC receives requests from communities currently without service. When reviewing these requests,

Management Discussion and Analysis (continued)

STC considers arrangements with the private sector to interline with its existing network.

In all parts of Canada, profits from high-density routes are used to offset the losses on low-density routes (cross-subsidization). In Saskatchewan, nearly all of the routes are low density, with insufficient revenues from the best routes to offset the associated losses (STC operates 29 routes; of these, only the routes linking Prince Albert-Saskatoon-Regina cover over-the-road costs). Thus, the company relies on subsidization from its shareholder, CIC, in order to fulfill STC's public policy role for the province.

Ridership Profile and Private Vehicle Preference

STC's ridership profile is increasingly becoming more dispersed among all segments of the population. While many customers choose to use STC out of necessity and do not have access to other modes of transportation, others are choosing to ride with STC because of the convenience, environmental benefits, and the ability to relax or be productive on-board with Wi-Fi. Despite this trend, there are still many that will continue to prefer the convenience and flexibility that private vehicles offer. STC manages this by effectively communicating the numerous benefits of bus travel in order to overcome this challenge. This is being accomplished through STC's advertising campaigns.

Competition with Air Transportation

In addition to the private automobile, air service provides alternative transportation between Saskatchewan's major cities, offering frequent, although somewhat more costly, service between Regina and Saskatoon – one of STC's profitable routes. STC is proactively communicating to customers the benefits of on-board amenities such as Wi-Fi offered along the Saskatoon-Regina route. In 2011, this amenity became available on over 75 per cent of STC's fleet.

Growing Customer Expectations

Customers increasingly express a preference for immediate and more personalized services. STC was pleased to offer more amenities in 2011 such as expanded availability of Wi-Fi. Expectations do come with costs, and STC must carefully evaluate those amenities which are affordable and which will be a sound investment for years to come. Passengers are increasingly bringing their own forms of Wi-Fi enabled entertainment on-board STC coaches and the STC passenger survey shows that Wi-Fi access is now more important to customers than on-board video supplied by the carrier.

STC is responding to and managing customer trends by providing as many amenities as is affordable and appropriate to ensure a more user-friendly travel experience for passengers. As SaskTel expands its new wireless service, STC anticipates it will upgrade its fleet to offer Wi-Fi on 100 per cent of routes by year end 2012. This will enable customers to use their wireless devices to work or surf the internet on any STC route.

Improving Public Perception of Bus Travel

Despite positive reviews from STC customers (good or excellent combined satisfaction rating of 93 per cent in 2011), there remains a negative perception of bus travel in the industry as a whole. STC customers know the company provides good, clean and dependable service. STC's challenge is to utilize media and all other avenues to get this message out to people who have never travelled with STC.

The Canadian Bus Association best summarizes the largest challenge to bus transportation as "despite its benefits, bus is the least understood travel mode and often the least respected."

Management of this industry challenge includes opportunities for STC to better promote its products and

services. Promotions are planned for 2012, building on lessons learned in previous years. STC's Ride Rewards loyalty program will launch on-line sign up in 2012 to attract new members and will allow the company to provide customers with information on promotions.

FINANCIAL PERFORMANCE

Introduction

The financial performance of the company is significantly impacted by its mandate to provide service on the widest practical basis. Because of low population densities, there are insufficient passenger and freight volumes to fully recover all operating costs. Thus, subsidization is required to serve such an extensive network. No dividend was paid to CIC in 2011 and STC will not be in a position to pay one in 2012.

In STC's case, its financial performance is gauged by whether its costs and subsidy are as low as possible. The quality and magnitude of the services provided is relative to expenditures incurred. Total cash loss as a percentage of total expenses (excluding amortization) in 2011 was 34.3 per cent (32.9 per cent in 2010).

Operating and Capital Grants

STC operations are subsidized through grants received from Crown Investments Corporation (CIC), the central overseeing body of Saskatchewan's Crowns. Each year, STC submits its performance measures and grant requirements to CIC for review and approval. In 2011, STC received approval for an operating grant of $8.9 million to cover its estimated operating losses. Of the approved operating grant, only $8.7 million was utilized, due to improved ridership and increased passenger revenue. Additionally, STC received an approved 2011 capital grant of $2 million to fund capital expenditures.

Other Revenue Sources

In addition to its main lines of passenger and parcel express business, the company had a number of alternative revenue sources in 2011. The company:

- provided maintenance and cleaning service to other independent bus lines generating $538,000 in revenue;
- leased excess space in terminals and garages totaling $246,000;
- wrapped trailers and buses with advertising resulting in $54,000; and
- obtained an additional $56,000 from automatic banking machines and locker rentals.

STC also operates a limited number of charters, which represented $240,000 in 2011 revenues. The operation of charters provides opportunities to better utilize the bus fleet, as most take place on weekends when fewer scheduled trips occur. Charters also increase the company's visibility within the community.

To minimize competition with private charter companies, STC keeps its charter rates somewhat higher than other companies. Requests for service that cannot be accommodated by STC are referred to private sector operators. STC maintains strong working relationships with the private sector and provides extra capacity, when possible, to private charter companies when they have failures or excess demand.

Financial Reporting

The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian Generally Accepted Accounting Principles (Canadian GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. In September 2009, the Public Sector Accounting Board (PSAB) approved an amendment to the introduction of the Public

Management Discussion and Analysis (continued)

Sector Accounting Handbook which requires Government Business Enterprises (GBEs) to adopt IFRS and Other Government Organizations (OGOs) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting.

The Crown Investments Corporation (CIC) believes that IFRS is the most appropriate basis of accounting for all its subsidiaries. Therefore, STC as an OGO proceeded with the adoption of IFRS.

STC has finalized its IFRS financial statement disclosures and selection of accounting policies. These policies and financial statement disclosures have been reviewed by external auditors and approved by the STC Board of Directors. STC assessed its processes, systems, and internal controls and determined all to be adequate for IFRS implementation.

The areas with the most significant differences from Canadian GAAP to IFRS are related to accounting for property and equipment, an accrual for compensated absences and financial statement disclosures.

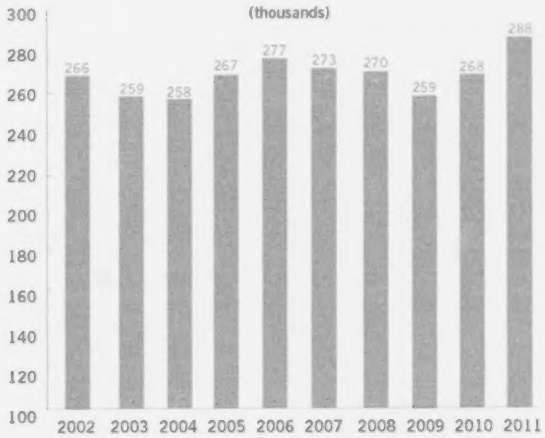
During 2011, STC prepared quarterly and annual financial statements in accordance with IFRS. IFRS 1 'First time adoption of IFRS' requires certain disclosures relating to the transition to IFRS be presented in the notes to the financial statements. In addition, 2010 comparative balances in the financial statements and MD&A are presented under IFRS.

In 2011, STC continued with a rigorous set of standards for financial controls and reporting for all levels of its organization. As directed by CIC, STC's Chief Executive Officer and Chief Financial Officer are required to certify that these standards have been implemented and the internal controls over financial reporting are operating effectively with no material weaknesses identified. The process of complying with these standards is referred to as CEO/CFO Certification.

Passenger Service

In 2011, ridership was 288,164, representing an increase of 7.4 per cent over 2010. As demonstrated in the following chart, STC is continuing the trend of increasing ridership which began in 2010. This trend will be very difficult to maintain in 2012. STC anticipates losing passengers due to the Greyhound cuts along connecting corridors.

STC Ridership History 2002 - 2011



The table below offers a snapshot comparison of passenger service financial results.

	2011	2010
Passenger Service Loss Per Mile (Revenue – Cost = Loss/mile)	$2.44/mile ($2.39-$4.83)	$2.29/mile ($2.30 - $4.59)
Passenger Service Revenue	$7,712,000	$7,363,000
Passenger Service Operating Expense	$15,576,000	$14,716,000

STC continued with two successful seat sale campaigns in 2011. In May and September, STC offered a senior seat sale that allowed those 60 years of age and over to travel anywhere on STC's network for a flat $10 one-way fare. 2011 senior seat sale results contributed to an improvement of 9 per cent in senior ridership in May and September.

In June, July and August, STC offered youth aged 12-25 a $40 unlimited monthly pass. These results were a 21 per cent increase in youth pass sales in June, July and August over the same months in 2010.

Parcel Express Service

STC route scheduling and frequency is designed to optimize services for the passenger side of the business. STC, however, has unique strengths with respect to its parcel express service. The breadth of its network is unparalleled by other couriers in Saskatchewan. STC provides service on weekends for a number of schedules, as does GLC on routes it serves.

Remote communities rely on STC for many of their deliveries. STC carries water samples to labs in major centres to ensure communities have access to safe drinking water. Blood supplies are transported by STC to hospitals and clinics across Saskatchewan. There are numerous other examples of individuals and businesses that rely on STC to ship their packages in a fast and convenient manner. Parcel express service tends to be somewhat seasonal for STC, with increased freight activity generally occurring during farm seeding, harvest, construction season, drilling season and the winter holiday/Christmas season.

In 2011, STC continued to equip buses with trailers to carry additional freight. This allows the company to increase its freight hauling capacity and revenue-generating capabilities.

Parcel Express Line of Business Financial Results

STC experienced a slight downturn in profit in the parcel express line of business from 2010 to 2011. This was due to the loss of some larger freight contracts. One customer moved core parts of their parcel business to one supplier rather than using several carriers. Another customer started using their own trucks for particular corridors which had previously been delivered by STC's freight services.

The loss has been mitigated by efforts throughout 2011 to increase sales in this area and two new freight forwarding opportunities were established in 2011.

A comparison of 2011 and 2010 revenues, expenses and profits are provided in the table below:

	2011	2010
Parcel Express Revenues	**$7,939,000**	$7,872,000
Parcel Express Expenses	**$5,876,000**	$5,701,000
Parcel Express Profits	**$2,063,000**	$2,171,000

Bus Maintenance Services

STC also provides maintenance and cleaning services for other bus companies, providing revenue streams of $538,000 for 2011, compared to $568,000 in 2010. Expenses associated with such work were $354,000 in 2011 compared to $388,000 in 2010. The loss of revenue is reflective of mechanic shortages and the loss of foreign coach revenue from Greyhound because of the changes on the Alsask route. The workload of STC mechanics continues to be prioritized based on STC's own fleet maintenance needs. Maintenance service expenditures for STC coaches and fleet were $3,388,000 in 2011, compared to $3,119,000 in 2010. This is due to an older fleet with more maintenance issues.

Management Discussion and Analysis (continued)

There were a number of improvements made to the fleet in 2011, including installation of Wi-Fi service in over 75 per cent of buses and continued deep cleaning of coaches. STC undertook a process improvement review of its maintenance operations which identified opportunities for consideration. These process improvement reviews, sometimes known as "Lean" reviews, will continue in 2012. One example of an improvement because of the Lean review is improved service times for inspections.

Property, Plant and Equipment

Capital spending was $0.9 million in 2011 compared to $2.1 million in 2010. The 2011 capital plan included spending on fleet and a new bus wash system. The fleet and bus wash were ordered in 2011. The 2011 capital plan was in line with traditional levels; however, late delivery of the coaches and the bus wash will mean that this capital spend will now occur in 2012.

STC also invested in its facilities ($50,000), corporate systems and technology ($628,000), other equipment ($141,000), and fleet renewal ($57,000). Technology spending included upgrades to the Galaxy Ticketing Point of Sale (POS) system.

FACILITIES

STC owns and operates passenger and freight terminals in Regina, Saskatoon and Prince Albert. It owns and operates service garages in Regina and Saskatoon. The company owns a passenger and freight terminal in Moose Jaw, and contracts the operation of the facility to an agent.

Prince Albert

As in the other two terminals, outside electrical plugs were converted to increase energy efficiency.

Regina

Security enhancements were added such as additional security cameras and card access points that ensure only STC staff are allowed into employee only areas.

Saskatoon

Several express and passenger terminal improvements were completed, including paving and installation of an air curtain door in the garage, and, continuation of energy efficient lighting installation.

STC FACILITIES	Age (yrs)
Moose Jaw*	
Passenger and Parcel Express Terminal	16
Prince Albert	
Passenger and Parcel Express Terminal	17
Regina	
• Passenger and Parcel Express Terminal	3
• Service Garage	63
Saskatoon	
• Passenger Terminal	37
• Parcel Express Building	34
• Service Garage	29

**STC owns the property but does not operate it*

Corporate Systems and Technology

In 2011, STC upgraded its ticketing system that has been in use since 2001 with a more modern, efficient and flexible version. This upgraded system has many benefits over the current system and the successful implementation of the ticketing phase is benefiting both employees and customers. The system is compatible with many other STC applications, giving STC the ability to eliminate duplication of information and reduce time on system maintenance. In 2012, STC will implement further software upgrades including an upgraded point of sale system for parcel express as well as online ticketing for selected origins and destinations.

Fleet and Equipment

The company strives to match its bus fleet to passenger volumes on various routes. Accordingly, units range in size from 18 to 55-seat coaches. In 2011, STC operated a total of 43 coaches and 29 freight trailers. STC's coaches are 23 per cent wheelchair-accessible and plans are to increase this figure to 26 per cent in 2012.

In 2011, STC ordered two mid-size coaches and three medium-size trailers. All coaches in STC's fleet have Global Positioning Systems (GPS) and surveillance capability, eight have electrical outlets for passenger use and over 75 per cent are Wi-Fi capable. These options will become standard on future fleet purchases.

Collective Bargaining

The collective bargaining process was successfully concluded in 2011 between the company and the Amalgamated Transit Union (ATU) Local 1374. The term of the current Agreement is January 1, 2010 to December 31, 2012. STC management plans to open negotiations with the ATU in the fall of 2012 and look forward to a potential settlement prior to the expiry of the current agreement.

STC FUTURE OUTLOOK

In the coming years, STC will continue to control costs through prudent financial management, highlighted by a focus on efficiency and productivity gains throughout the Corporation. Company efficiency efforts and resource management will be balanced with such cost drivers as continued customer growth and non-controllable cost increases such as fuel.

Leveraged relationships, such as those with STC agents will continue to be utilized to support STC's ability to fulfill its mandate of safe, affordable and accessible bus passenger and freight services in a cost effective manner. STC continues to support the Saskatchewan economy by partnering with private enterprise, and by providing transportation links for business across the province.

The company's strong reputation for superior customer service and growing passenger ridership will continue to be supported through programs designed to help consumers and businesses realize the benefits of bus travel.

2011's successful marketing campaign and seat sales will continue to add value for passengers and the communication around them will be strengthened with the management of the recently launched passenger Ride Rewards program. STC will continue to implement initiatives to sustain passenger growth including upgrades to bus amenities and increasing in-depot signage.

Population demographics and the ability to hire skilled staff in Saskatchewan will affect all companies over the planning horizon. STC will continue to focus on people, including job specific recruitment and retention, training and development, and employee engagement, to have a successful workforce and to counteract the effects of the labour shortage.

STC will continue to promote the environmental benefits of bus travel.

2011 Balanced Scorecard

Management's Responsibility for Reporting on Performance

Management has presented its performance information in the Balanced Scorecard.

The information is, to the best of our ability, reliable (that is, reasonably free of errors or omissions and represents what it claims), consistent (that is, prepared using consistent policies and methods, explains significant variances, and reports results against previously approved targets), and understandable. To provide a better understanding of the information, management has defined the terms and calculations and has disclosed limitations.

Management has the primary responsibility for the integrity and objectivity of the performance information reported in the Balanced Scorecard. To fulfill this responsibility, the company maintains appropriate systems of internal controls and procedures. These systems provide reasonable assurance that information presented is reliable and consistent.

On behalf of the company, on March 31, 2012,

Shawn Grice
President & CEO

SCORECARD DISCUSSION

Saskatchewan Transportation Company's Balanced Scorecard demonstrates the company's accountability to the public. It contains objectives, measures, and targets which were created based on the strategic direction provided by STC's Board of Directors, as well as the overall strategic direction of Crown Investments Corporation (CIC).

Following the Saskatchewan Provincial Auditor's audit of the balanced scorecard in 2006, as well as feedback received from CIC, our measures and reporting have changed over the past few years and will continuously evolve to improve alignment with the company's strategic plan, demonstrate STC's contribution to the priorities of the Crown sector and improve clarity in the reporting of the results.

DISCUSSION OF 2011 RESULTS

Customer

- 93 per cent of passengers who voluntarily responded to STC's passenger survey rated the company's services as "good" or "excellent", a 1 per cent increase from 2010.
- STC's average fare as of December 31, 2011 was 3 per cent, or $0.95 below the Western Canadian Average of $31.35.
- STC owns and operates 43 coaches, 10 of which are equipped for wheelchair accessibility.

Public Policy

- All coaches refueling in Saskatoon and Regina operated on a 2 per cent canola biodiesel blend utilizing 98 per cent Saskatchewan grown canola seed.
- Year-end passenger survey results for 2011 show 94.8 per cent of respondents indicate that bus travel is environmentally friendly.

Financial

- While STC requires grants from CIC to fulfill its public policy role, it measures its financial success by setting efficiency targets ("passenger services loss per mile" and "operating cash loss as a percentage of overall expenditures") and by implementing expenditure controls to meet those targets. In 2011, higher than budgeted passenger service revenues coupled with slightly lower than budgeted expenses allowed STC to exceed its goals.
- STC was in full compliance with best practices of corporate governance as defined by the Canadian Securities Administrators (CSA). Please see the Corporate Governance section of the Annual Report for details.

People

- After falling below target in 2010, STC is exceeding its goal for employee satisfaction in 2011. A lengthy collective bargaining process was completed prior to the employee survey which provided stability over terms and conditions of employment.
- STC strives to employ a representative workforce reflecting diversity targets of the Saskatchewan Human Rights Commission (SHRC). STC is exceeding this goal in three areas and remains committed to growing representation in all target areas.
- The company emphasizes training among all its employees and exceeded 2011's goal.

Innovation

- The 7.4 per cent increase in passenger numbers reflects improvements to the on-board experience of passengers, successful seat sales, and an effective advertising campaign that focused on image enhancement.
- STC continues to care about the company's environmental impact. Two new environmental initiatives were launched in 2011, meeting the corporate target.

2011 Balanced Scorecard

CUSTOMER

WE MEET THE NEEDS OF OUR CUSTOMERS

Objective		Measures	Target 2011	2011 Actual	2012 Target
Customers are satisfied with the service they receive	M1	Passenger survey satisfaction rating	92%	**93%**	92%
Fares and discounts are competitive and satisfactory to our customers	M2	Fares are at or near the Western Canadian Average	- 1% to +4%	**3% below WCA**	- 1% to +4%
Routes serve a significant portion of Saskatchewan	M3	Number of communities served	290	**290**	290
A portion of our passenger bus fleet is equipped for wheelchair accessibility	M4	Percentage of fleet that is wheelchair accessible	25%	**23%**	26%

PUBLIC POLICY

WE ARE GOOD CORPORATE CITIZENS

Objective		Measures	Target 2011	2011 Actual	2012 Target
Support building our future by protecting our environment	M5	Percentage of STC vehicles fuelled in Regina and Saskatoon that contain a 2% biodiesel blend	100%	**100%**	100%
	M6	Percentage of passengers aware that bus transportation is environmentally friendly	93%	**94.8%**	94%

FINANCIAL

WE ARE A FISCALLY RESPONSIBLE AND ACCOUNTABLE CORPORATION

Objective		Measures	Target 2011	2011 Actual	2012 Target
Cash loss is as low as possible	M7	Operating cash loss as a percentage of overall expenditures	35.0%	**34.3%**	35.3%
Operating costs are as low as possible	M8	Passenger services loss per mile	$2.55	**$2.44**	$2.52
Meet or exceed all Board of Director governance requirements	M9	"Best Practices" for Board governance	Full Compliance (FC)	**Full Compliance (FC)**	Full Compliance (FC)

PEOPLE

WE ARE A HIGH-QUALITY EMPLOYER

Objective		Measures	Target 2011	2011 Actual	2012 Target
Employer of choice in Saskatchewan	M10	Employee satisfaction survey rating	65%	**66%**	67%
We promote safety and career enhancement training for our employees	M11	Number of safety, technical and professional development training opportunities attended	100	**181**	100
Support development of a representative workforce in Saskatchewan		Percentage of employees from target groups in overall workforce			
	M12	Women in Underrepresented Occupations	16.0%	**19.0%**	16.0%
		Aboriginal	13.1%	**13.9%**	13.1%
		Visible Minority	3.8%	**5.6%**	3.8%
		Persons with Disabilities	9.7%	**4.3%**	9.7%

2011 Balanced Scorecard

INNOVATION

WE ARE IMPROVING & INNOVATING

Objective	Measures		Target 2011	2011 Actual	2012 Target
Grow our business operations with other private entities	M13	Total agreements and partnerships	228	**227**	226
Build our customer base and promote the Corporation	M14	Percentage growth in passenger numbers	1.0%	**7.4%**	1.0%
Assist Saskatchewan to "go green"	M15	New environmental initiatives undertaken	2	**2**	2

Explanation of Measurement Terms

WE MEET THE NEEDS OF OUR CUSTOMERS

M1 Passenger Survey Satisfaction Rating is the overall satisfaction level of our bus-riding (passengers) customers. This information is obtained through a semi-annual, voluntary, passenger sample survey. It represents the total percentage of respondents who rate their overall satisfaction with the services provided by STC as "good" or "excellent".

M2 Fares are at or Near the Western Canadian Average and are set within a range of 1 per cent below the Western Canadian Average (WCA) to 4 per cent above the average. The WCA is determined by the rates charged at the end of each quarter by Greyhound Canada in Saskatchewan, Manitoba, Alberta and British Columbia.

M3 Number of Communities Served is all communities with at least one of the following: a flag-stop, scheduled passenger service and/or freight only service.

M4 Percentage of Fleet that is wheelchair accessible includes the percentage of total motor coaches owned by STC that have built-in chair lifts.

WE ARE A GOOD CORPORATE CITIZEN

M5 Percentage of STC Buses Fueling in Regina and Saskatoon With a 2% Biodiesel Blend is 100%. Calculation applies only to diesel powered vehicles.

M6 Percentage of Passengers Aware that Bus Transportation is Environmentally Friendly. This information is obtained through a semi-annual, voluntary, passenger sample survey and represents the total percentage of respondents who rate riding the bus as environmentally friendly.

WE ARE A FISCALLY RESPONSIBLE AND ACCOUNTABLE CORPORATION

M7 Operating Cash Loss as a Percentage of Overall Expenditures is kept as low as possible. The percentage is calculated as the operating cash loss divided by the total expenses (excluding amortization) for the year.

M8 Passenger Services Loss per Mile is the difference between the passenger expense and revenue per mile. Revenue per mile is calculated as total passenger revenues, divided by the total scheduled miles and service miles. Passenger expense per mile is calculated as the total passenger expenses divided by the total scheduled miles and service miles.

M9 "Best Practices" for Board Governance is measured by either meeting or exceeding all corporate governance requirements as set forth by the Canadian Securities Administrators (CSA) National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices. These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance. While STC is not a publicly traded company, its practices are benchmarked against these current industry best practices each year.

WE ARE A HIGH-QUALITY EMPLOYER

M10 Employee Satisfaction Survey Ratings are obtained from the responses to a specific satisfaction question included in a comprehensive employee survey. The question measures the overall satisfaction of STC employees. The survey is conducted annually and responses are voluntary.

M11 Number of Safety, Technical and Professional Development Training Opportunities Attended in the workplace. This represents the total number of employees who attended either an in-house or externally delivered seminar, training session or workshop during the year.

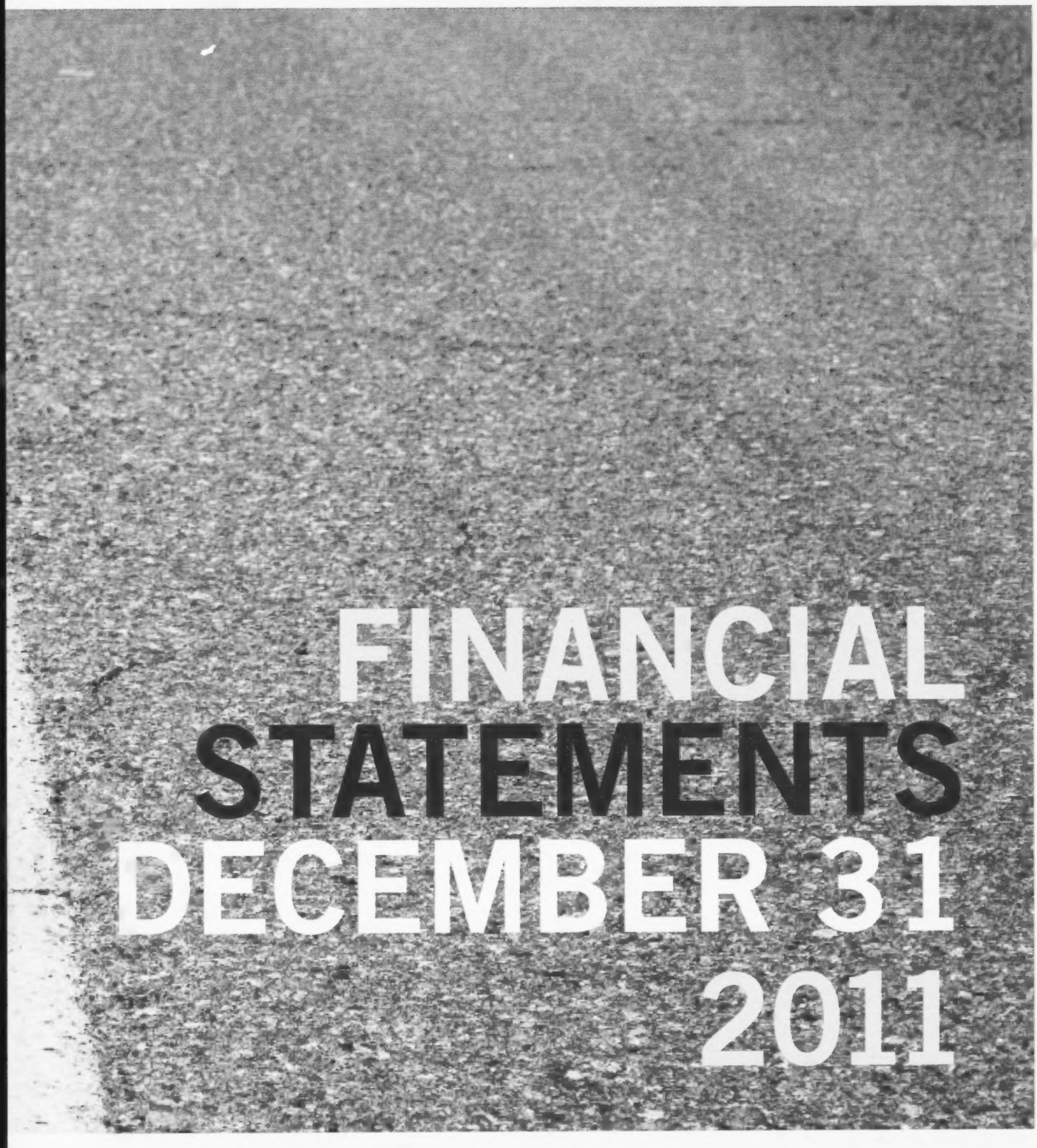
M12 Percentage of Employees from Target Groups in the Overall Workforce includes employees of aboriginal ancestry, visible minorities, disabled employees and women in under-represented occupations. These numbers represent the percentage of employees from each target group in the overall STC workforce (excluding casual employees) as of the last day of the year.

WE ARE IMPROVING & INNOVATING

M13 The number of Total Agreements and Partnerships with private sector entities is summed and reported at the last day of the quarter. The total includes the total number of operating STC agents, interline carriers, contract carriers and pick-up and delivery service operators. It also includes other partnerships and agreements that meet specified criteria to be included in the reported results.

M14 Percentage Growth in Passenger Numbers is the percentage growth in ridership on scheduled routes year-over-year.

M15 New Environmental Initiatives Undertaken represents STC's strengthened strategic focus on the environment. It may include new promotions, partnerships, community support initiatives and workplace/asset enhancements.


FINANCIAL
STATEMENTS
DECEMBER 31
2011

Management's Responsibility for Financial Reporting

Management has prepared the financial statements of the Company in accordance with International Financial Reporting Standards. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which the Company prepared these financial statements.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Company maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Company.

MNP LLP, the Company's external auditors, have examined the December 31, 2011 financial statements, and their report follows.

The Board of Directors of Saskatchewan Transportation Company has examined and approved the statements.

On behalf of the Company,

Shawn Grice
President & CEO

Jason Sherwin
CFO

February 28, 2012

Annual Statement of Management Responsibility

I, Shawn Grice, the President and Chief Executive Officer of the Saskatchewan Transportation Company, and I, Jason Sherwin, the Chief Financial Officer of the Saskatchewan Transportation Company, certify the following:

a. That we have reviewed the financial statements included in the Annual Report of the Saskatchewan Transportation Company. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2011.

b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of the Saskatchewan Transportation Company do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That the Saskatchewan Transportation Company is responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and the Saskatchewan Transportation Company has designed internal controls over financial reporting that are appropriate to the circumstances of the Saskatchewan Transportation Company.

d. That the Saskatchewan Transportation Company conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, the Saskatchewan Transportation Company can provide reasonable assurance that internal controls over financial reporting as of December 31, 2011 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Shawn Grice
President & CEO

Jason Sherwin
CFO

February 28, 2012

MNP LLP

Independent Auditors' Report

Members of the Legislative Assembly of Saskatchewan:

We have audited the statement of financial position of Saskatchewan Transportation Company as at December 31, 2011, December 31, 2010, and January 1, 2010 and, the statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or misstatement.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or misstatement. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Transportation Company as at December 31, 2011, December 31, 2010, and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Regina, Saskatchewan
February 28, 2012

MNP LLP
Chartered Accountants

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

BEST EMPLOYERS IN CANADA 2011

ACCOUNTING › CONSULTING › TAX
ROYAL BANK BUILDING, 900, 2010 – 11TH AVENUE, REGINA, SK S4P 0J3
1 877 500 0780 P: 306 790 7900 F: 306 790 7990 mnp.ca

Statement of Financial Position

	(Thousands of Dollars)		
	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
Assets			
Current			
Cash	$ 2,606	$ 1,119	$ 1,324
Accounts receivable (note 5)	1,422	1,454	1,402
Inventories (note 7)	376	377	393
Prepaid expenses	482	466	508
	4,886	3,416	3,627
Non-current			
Property and equipment (note 8)	35,735	37,564	38,613
	$ 40,621	**$ 40,980**	**$ 42,240**
Liabilities and Province's Equity			
Liabilities			
Current			
Trade and other payables	$ 3,333	$ 2,977	$ 2,680
Non-current			
Deferred capital grant (note 9)	29,257	29,673	31,239
	32,590	32,650	33,919
Province of Saskatchewan's Equity			
Contributed surplus	465	465	465
Retained earnings	7,566	7,865	7,856
	8,031	8,330	8,321
	$ 40,621	**$ 40,980**	**$ 42,240**

See accompanying notes

Approved by the Board on February 28, 2012

Wayne Lorch
Director

Mervin Schneider
Director

Statement of Comprehensive Income Year Ended December 31

	(Thousands of Dollars) 2011	2010
Revenue		
Express services	$ 7,939	$ 7,872
Passenger services	7,712	7,363
Other	1,033	1,032
Loss on disposal of property and equipment	(12)	(19)
	16,672	16,248
Expenses		
Operating costs other than those listed below	10,583	9,958
Salaries, wages and short-term employee benefits	14,813	14,301
Depreciation (note 8)	2,691	2,846
	28,087	27,105
Loss before the following	(11,415)	(10,857)
Operating grant (note 10)	8,700	8,400
Capital grant (note 9)	2,416	2,466
Net (loss) profit and comprehensive income	**$ (299)**	**$ 9**

See accompanying notes

Statement of Changes in Equity

	(Thousands of Dollars) Attributable to the Province of Saskatchewan		
	Retained Earnings	Contributed Surplus	Total Equity
Balance at January 1, 2010	$ 7,856	$ 465	$ 8,321
Net profit and comprehensive income	9	-	9
Balance at December 31, 2010	7,865	465	8,330
Balance at January 1, 2011	**7,865**	**465**	**8,330**
Net loss and comprehensive income	**(299)**	**-**	**(299)**
Balance at December 31, 2011	**$ 7,566**	**$ 465**	**$ 8,031**

See accompanying notes

Statement of Cash Flows Year Ended December 31

	(Thousands of Dollars) 2011	2010
Operating Activities		
Net (loss) profit and comprehensive income	$ (299)	$ 9
Items not involving cash:		
Depreciation (note 8)	2,691	2,846
Loss on disposal of property and equipment	12	19
Recognition of capital grant (note 9)	(2,416)	(2,466)
Net change in non-cash working capital (note 12)	373	303
Cash provided by operating activities	**361**	**711**
Investing Activities		
Additions to property and equipment (note 8)	(876)	(2,094)
Proceeds on disposal of property and equipment	2	278
Cash used in investing activities	**(874)**	**(1,816)**
Financing Activities		
Capital grant received (note 9)	2,000	900
Repayment of operating demand loan	-	(150)
Cash provided by financing activities	**2,000**	**750**
Increase (Decrease) in cash	1,487	(355)
Cash, beginning of year	1,119	1,474
Cash, end of year	**$ 2,606**	**$ 1,119**

See accompanying notes

Notes to Financial Statements Year Ended December 31, 2011

1. STATUS OF THE COMPANY

The Saskatchewan Transportation Company [STC; the Company] was originally established in 1946 by Order in Council #168 to act as a common carrier providing passenger service transportation, parcel express and freight services. STC's powers, duties and conditions were affirmed in 1993 by Order in Council #5. STC is continued under *The Crown Corporations Act, 1993*. STC is a corporation domiciled in Canada. The address of the Company's registered office and principal place of business is 1717 Saskatchewan Drive, Regina, SK, S4P 2E2.

The financial results of STC are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan [CICI].

STC is a Provincial Crown Corporation and therefore not subject to Federal or Provincial income taxes in Canada.

STC's passenger rates are subject to rate regulation by the Motor Carrier Committee of the Saskatchewan Highway Traffic Board, which is a related party. The committee reviews applications for operating authority certificates under the Traffic Safety Act, and fixes rates and conditions of carriage for holders of these certificates or licenses of authority. STC holds operating authority on the routes it operates, but must seek approval for passenger rate changes from the Motor Carrier Committee.

2. OPERATIONS AND FINANCING

As a matter of public policy, STC will continue to provide bus passenger and express service to the communities of Saskatchewan. The Company will ensure that its commitment to servicing the Province is kept uppermost in all of its planning. As a result of the public policy rationale for the operation of certain non-commercial routes, STC continues to be dependent upon CIC for its funding.

By way of Orders in Council #16/2011 STC was authorized to obtain grant funding up to $10.9 million (2010 - $9.9 million, Order in Council #4/2010) for operating and capital requirements in 2011. During the year, STC requested and received $10.7 million of the $10.9 million authorized (2010 – $9.3 million of the $9.9 million authorized).

3. BASIS OF PREPARATION

a. Statement of compliance

The year-end financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board. As these financial statements represent the Company's initial presentation of its earnings, financial position and cash flows under IFRS, they were prepared in accordance with IFRS 1, First-time Adoption of IFRS. The policies set out have been consistently applied to all the periods presented.

The Company's financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Canadian GAAP differs in some areas from IFRS. In preparing the financial statements, management has amended certain accounting and valuation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 have been restated to reflect these adjustments. Certain information that is considered material to the understanding of the Company's financial statements along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings, and comprehensive income are included in Note 15.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

These financial statements are presented in Canadian Dollars, which is the Company's functional currency.

Notes to Financial Statements (continued)

d. **Use of estimates and judgments**
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Depreciation is based on the estimated useful lives of property and equipment. Tangible assets are reviewed for impairment annually using estimates of recoverable amounts to determine if there is an impairment loss. The accrual for compensated absences is based on historical usage.

4. **SIGNIFICANT ACCOUNTING POLICIES**

a. **Cash**
Cash is measured at fair value which approximates cost.

b. **Inventories**
Inventories of vehicle parts and supplies are stated at the lower of cost and net realizable value and are costed using the first-in, first-out (FIFO) method.

c. **Property and equipment**
Property and equipment are recorded at cost less accumulated depreciation and any provisions for impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes materials, services, direct labour and directly attributable overheads.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized. The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in net profit (loss) and comprehensive income as incurred.

When property and equipment are disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the period.

d. **Operating grant revenue**
Operating grants from CIC are recognized as revenue when received.

e. **Capital grant revenue**
Capital grants related to depreciable property are deferred as received and are recognized as revenue over the life of the asset. The Company recognizes a portion of the capital grant as revenue each year equivalent to the amount of depreciation recognized on the assets acquired with the grant funds.

Capital grants related to the acquisition of land and related costs are recognized as a direct increase in retained earnings.

f. **Depreciation of property and equipment**
Depreciation is recorded on buildings, vehicles, and equipment, on the straight-line basis over the estimated productive life of each asset. Depreciation commences when the property and equipment is ready for its intended use. The estimated useful life

Notes to Financial Statements (continued)

of property and equipment is based on manufacturer's guidance, past experience and future expectations regarding the potential for technical obsolescence. The estimated useful lives are reviewed annually and any changes are applied prospectively.

The estimated useful lives of the major classes of property and equipment are as follows:

Buildings	10 - 50 years
Vehicles	5 - 15 years
Other equipment	3 - 10 years

g. **Impairment of accounts receivable**
A provision for impairment is made and an impairment loss is recognized in net profit (loss) and comprehensive income when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms of the accounts receivable. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

h. **Impairment of non-financial assets**
At each reporting date, the Company reviews the carrying amount of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in net profit (loss) and comprehensive income.

i. **Revenue recognition**
Passenger and express service revenue is generally recognized upon the completion of service. Interline passenger and express services are treated as being complete when the passenger or parcel is turned over to the connecting carrier.

Other revenues, including charter, space leasing, bus advertising, vending, and maintenance, are recognized when earned.

j. **Employee benefits**
The Company participates in two pension plans. One is a defined benefit plan established pursuant to the Public Employees Benefits Agency. The other is the Capital Pension Plan which is a defined contribution plan sponsored by CIC. STC's contributions to the defined benefit plan and the defined contribution plan are expensed during the period. All eligible employees hired after September 1, 1980 are participants in the defined contribution plan.

The Company's financial obligations to each plan is limited to making regular payments to match the amounts contributed by the employees for current services.

k. **Financial instruments**
The Company classifies its financial instruments into one of the following categories: financial instruments at fair value through profit or loss; held-to-maturity; loans and receivables; and other liabilities.
All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position. Transaction costs are included in the initial carrying amount of financial instruments

Notes to Financial Statements (continued)

except for financial assets classified as fair value through profit and loss, in which case the transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial instruments classified as fair value through profit or loss are subsequently measured at fair value, with changes in fair value recognized in the statement of comprehensive income. Financial instruments classified as loans and receivables and other liabilities are subsequently measured at fair value less any allowances and impairments.

l. **Compensated absences**
The Company recognizes an accrual to the extent that compensated absences for individuals in the coming year are expected to be greater than the sick leave entitlements earned in the coming year.

m. **New standards and interpretations not yet adopted**
A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2011, and have not been applied in preparing these financial statements. In particular, the following new and amended standards which become effective for annual periods beginning on or after January 1, 2013:

IFRS 9, *Financial Instruments*
IFRS 10, *Consolidated Financial Statements*
IFRS 11, *Joint Arrangements*
IFRS 12, *Disclosure of Interests in Other Entities*
IFRS 13, *Fair Value Measurement*
IAS 1, *Presentation of financial statements*
IAS 12, *Income Taxes*
IAS 19, *Employee Benefits*
IAS 27, *Separate Financial Statements*
IAS 28, *Investments in Associates and Joint Ventures*

The extent of the impact on adoption of these standards is not known at this time.

5. FINANCIAL RISK MANAGEMENT

Fair value

The Company, as part of its operations, carries a number of financial instruments which includes cash, accounts receivable, and trade and other payables. The carrying amount of STC's financial instruments approximates their fair value due to the short-term maturities of these items.

The following summarizes the classification, carrying amounts and fair values of the Company's financial instruments:

			(Thousands of Dollars)			
			2011		2010	
	Classification	Level	Carrying amount	Fair value	Carrying amount	Fair value
Cash	FV	1	$ 2,606	$ 2,606	$ 1,119	$ 1,119
Accounts receivable	L&R	N/A	1,422	1,422	1,454	1,454
Trade and other payables	OL	N/A	3,333	3,333	2,977	2,977

Classification details are: FV – fair value through profit or loss, L&R – loans and receivables, OL – other financial liabilities

Notes to Financial Statements (continued)

Fair value hierarchy
Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 – Quoted prices are readily available from an active market.
Level 2 – Inputs, other than quoted prices included in level 1, that are observable either directly or indirectly.
Level 3 – Inputs are not based on observable market date.

The Company's financial instruments (other than Cash) have not been classified in the fair value hierarchy given that carrying value approximates fair value due to their immediate or short-term maturity.

Credit risk
Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company extends credit to its customers in the normal course of business and is exposed to credit risk in the event of non-performance by customers, but does not anticipate such non-performance. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks identified with the customer and other relevant information. STC monitors the credit risk and credit rating of customers on a regular basis. Cash is held with a major chartered Canadian bank and management believes the risk of loss to be minimal.

The maximum exposure to credit risk is $4.03 million (2010 - $2.57 million) equal to the carrying value of the Company's financial assets (cash - $2.61 million (2010 - $1.12 million) and accounts receivable - $1.42 million (2010 - $1.45 million)).

The following table sets out details of the age of receivables and allowance for doubtful accounts:

	2011	2010
	(Thousands of Dollars)	
Gross accounts receivable:		
Current	$ 836	$ 1,009
Up to three months past due date	522	532
Greater than three months past due date	224	78
	1,582	1,619
Allowance for doubtful accounts, opening balance	(165)	(170)
Accounts written off	5	5
Allowance for doubtful accounts, ending balance	(160)	(165)
Net accounts receivable	**$1,422**	**$ 1,454**

6. CAPITAL MANAGEMENT

STC's objective when managing its capital structure is to ensure adequate funding exists to support the operations and growth strategies for the Company.

STC obtains its funding from CIC by way of operating and capital grants authorized by Orders in Council. Throughout the year, operating and capital grant draws are made as necessary based on cash flow forecasts. STC also has an available line of credit of $500 thousand at the CIBC that it can draw upon.

STC's capital structure consists of equity, primarily in the form of retained earnings. STC does not have any debt.

STC's capital structure is as follows:

	2011	2010
	(Thousands of Dollars)	
Contributed surplus	$ 465	$ 465
Retained earnings	7,566	7,865
	$ 8,031	**$ 8,330**

Notes to Financial Statements (continued)

The Company monitors and assesses its financial performance against its plans in order to ensure that it is continuing its commitment to serve the province by providing bus passenger and express service to the communities of Saskatchewan. STC achieves this by adhering to its balanced scorecard objectives, measures, and targets that have been approved by the STC Board of Directors and CIC.

7. INVENTORIES

During the year, $324 thousand (2010 - $338 thousand) of vehicle parts and supplies were consumed.

8. PROPERTY AND EQUIPMENT

(Thousands of Dollars)

	Land	Buildings	Vehicles	Other equipment	Total
Cost or deemed cost					
Balance at January 1, 2010	$ 4,654	$ 33,028	$ 15,613	$ 7,037	$ 60,332
Additions	-	595	906	593	2,094
Disposals	-	-	(1,007)	(138)	(1,145)
Balance at December 31, 2010	4,654	33,623	15,512	7,492	61,281
Balance at January 1, 2011	**4,654**	**33,623**	**15,512**	**7,492**	**61,281**
Additions	**-**	**50**	**57**	**769**	**876**
Disposals	**-**	**-**	**(115)**	**(467)**	**(582)**
Balance at December 31, 2011	**$ 4,654**	**$ 33,673**	**$ 15,454**	**$ 7,794**	**$ 61,575**
Depreciation					
Balance at January 1, 2010	$ -	$ 7,969	$ 8,822	$ 4,928	$ 21,719
Depreciation for the year	-	996	1,082	768	2,846
Disposals	-	-	(715)	(133)	(848)
Balance at December 31, 2010	-	8,965	9,189	5,563	23,717
Balance at January 1, 2011	**-**	**8,965**	**9,189**	**5,563**	**23,717**
Depreciation for the year	**-**	**949**	**1,013**	**729**	**2,691**
Disposals	**-**	**-**	**(105)**	**(463)**	**(568)**
Balance at December 31, 2011	**$ -**	**$ 9,914**	**$ 10,097**	**$ 5,829**	**$ 25,840**
Carrying Amounts					
At January 1, 2010	$ 4,654	$ 25,059	$ 6,791	$ 2,109	$ 38,613
At December 31, 2010	4,654	24,658	6,323	1,929	37,564
At January 1, 2011	**4,654**	**24,658**	**6,323**	**1,929**	**37,564**
At December 31, 2011	**$ 4,654**	**$ 23,759**	**$ 5,357**	**$ 1,965**	**$ 35,735**

Notes to Financial Statements (continued)

9. CAPITAL GRANT

Order in Council #16/2011 authorized STC to obtain grant funding up to $2.0 million for capital requirements in 2011. During the year, STC obtained $2.0 million (2010 - $0.9 million, Order in Council #4/2010) of capital funding from CIC.

Deferred capital grant consists of the following:

	2011	2010
	(Thousands of Dollars)	
Deferred capital grant, beginning of year	$ 29,673	$ 31,239
Capital grant received	2,000	900
Capital grant revenue recognized	(2,416)	(2,466)
	$ 29,257	**$ 29,673**

10. OPERATING GRANT

Order in Council #16/2011 authorized STC to obtain grant funding up to $8.9 million for operating requirements in 2011. During the year, STC obtained $8.7 million (2010 - $8.4 million) from CIC.

11. PENSION CONTRIBUTIONS

The Company participates in two pension plans. STC's contributions to the Public Service Superannuation Plan which were expensed during the year were $4 thousand (2010 - $8 thousand). STC's contributions to the Capital Pension Plan which were expensed in the year were $774 thousand (2010 - $765 thousand).

12. NET CHANGE IN NON-CASH WORKING CAPITAL

	2011	2010
	(Thousands of Dollars)	
(Increase) Decrease in:		
Accounts receivable	$ 32	$ (52)
Inventories	1	16
Prepaid expenses	(16)	42
	17	6
Increase (Decrease) in:		
Trade and other payables	356	297
	$ 373	**$ 303**

13. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Company by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). STC has elected to take a partial exemption under IAS 24 – *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

On October 15, 2008, STC sold its former Regina head office building and land to SaskPower, a Saskatchewan Crown Corporation. The sale was recorded as a related party transaction and as such, the excess of consideration received over the net book value of the property was credited to contributed surplus ($465 thousand).

Notes to Financial Statements (continued)

In addition, the Company pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Key management personnel compensation
Key management personnel consist of the Company's directors and executive officers. Compensation to key management personnel consisted of short-term employee benefits (director remuneration, executive salaries and non-cash benefits) and post-employment benefits (Company contributions to defined contribution pension plan for executive).

Key management personnel compensation comprised:

	2011	2010
	(Thousands of Dollars)	
Short-term employee benefits	$ 985	$ 929
Post-employment benefits	51	49
	$ 1,036	$ 978

14. COMMITMENTS

The following significant purchase commitments exist at December 31, 2011:

a. $143 thousand to complete the installation of the bus wash at the Saskatoon Maintenance facility. The installation is expected to be completed in March 2012.

b. $208 thousand to complete the point of sale upgrade project. The project is expected to be completed in the fourth quarter of 2012.

c. $741 thousand for the purchase of 2 - 30 passenger coaches. The coaches were ordered in 2011 with delivery expected in April 2012.

15. TRANSITION TO IFRS

As stated in Note 3(a), these financial statements are prepared in accordance with IFRS. The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended December 31, 2011 (including comparative figures for December 31, 2010) and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. The following reconciliations provide an explanation of the transition adjustments from previous Canadian GAAP to IFRS.

Explanations of IFRS transition adjustments in the following reconciliations are:

a. **Componentization of assets under IAS 16 - *Property, Plant & Equipment*** - The differences are a result of the retrospective adjustment for the timing of depreciation and therefore the timing of capital grant revenue recognition. Any future differences are also a result of timing differences of depreciation and grant recognition for a given period as compared to the timing under Canadian GAAP. This is due to the change of useful life for certain components of assets.

b. **Accrual for compensated absences** - Compensated absences were not recognized as a liability under previous Canadian GAAP. IAS 19 – *Employee benefits* requires the Company to recognize an accrual to the extent that compensated absences for individuals in the coming year are expected to be greater than the sick leave entitlements earned in the coming year.

Notes to Financial Statements (continued)

Reconciliation of Statement of Financial Position as of January 1, 2010 (Thousands of Dollars)

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS balance	IFRS accounts
ASSETS				**ASSETS**
Current				**Current**
Cash	$ 1,324	$ -	$ 1,324	Cash
Accounts receivable	1,402	-	1,402	Accounts receivable
Inventories	393	-	393	Inventories
Prepaid expenses	508	-	508	Prepaid expenses
Total current assets	**3,627**	**-**	**3,627**	**Total current assets**
Non-current				**Non-current**
Property, plant and equipment	40,193	(1,580)	38,613	Property and equipment
Total assets	**43,820**	**(1,580)**	**42,240**	**Total assets**
LIABILITIES AND PROVINCE'S EQUITY				**LIABILITIES AND PROVINCE'S EQUITY**
Liabilities				**Liabilities**
Current				**Current**
Accounts payable and accrued liabilities	2,575	105	2,680	Trade and other payables
Non-current				**Non-current**
Deferred capital grant	32,142	(903)	31,239	Deferred capital grant
Total Liabilities	**34,717**	**(798)**	**33,919**	**Total Liabilities**
Province of Saskatchewan's Equity				**Province of Saskatchewan's Equity**
Contributed surplus	465	-	465	Contributed surplus
Retained earnings	8,638	(782)	7,856	Retained earnings
Total Equity	**9,103**	**(782)**	**8,321**	**Total Equity**
Total Liabilities and Equity	**$ 43,820**	**$ (1,580)**	**$ 42,240**	**Total Liabilities and Equity**

Notes to Financial Statements (continued)

Reconciliation of Statement of Financial Position as of December 31, 2010 (Thousands of Dollars)

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS balance	IFRS accounts
ASSETS				**ASSETS**
Current				**Current**
Cash	$ 1,119	$ -	$ 1,119	Cash
Accounts receivable	1,454	-	1,454	Accounts receivable
Inventories	377	-	377	Inventories
Prepaid expenses	466	-	466	Prepaid expenses
Total current assets	**3,416**	**-**	**3,416**	**Total current assets**
Non-current				**Non-current**
Property, plant and equipment	39,238	(1,674)	37,564	Property and equipment
Total assets	**42,654**	**(1,674)**	**40,980**	**Total assets**
LIABILITIES AND PROVINCE'S EQUITY				**LIABILITIES AND PROVINCE'S EQUITY**
Liabilities				**Liabilities**
Current				**Current**
Accounts payable and accrued liabilities	2,872	105	2,977	Trade and other payables
Non-current				**Non-current**
Deferred capital grant	30,590	(917)	29,673	Deferred capital grant
Total Liabilities	**33,462**	**(812)**	**32,650**	**Total Liabilities**
Province of Saskatchewan's Equity				**Province of Saskatchewan's Equity**
Contributed surplus	465	-	465	Contributed surplus
Retained earnings	8,727	(862)	7,865	Retained earnings
Total Equity	**9,192**	**(862)**	**8,330**	**Total Equity**
Total Liabilities and Equity	**$ 42,654**	**$ (1,674)**	**$ 40,980**	**Total Liabilities and Equity**

Notes to Financial Statements (continued)

Reconciliation of Statement of Comprehensive Income for the year ended December 31, 2010 (Thousands of Dollars)

Canadian GAAP accounts	Canadian GAAP balance	IFRS adjustments	IFRS balance	IFRS accounts
Revenue				**Revenue**
Express services	$ 7,872	$ -	$ 7,872	Express services
Passenger services	7,363	-	7,363	Passenger services
Other	1,032	-	1,032	Other
Gain(loss) on disposal of property, plant and equipment	(48)	29	(19)	Gain(loss) on disposal of property and equipment
Total Revenue	16,219	29	16,248	**Total Revenue**
Expenses				**Expenses**
Operating	20,805	-	9,958	Operating costs other than those listed below
Administration	3,454	-	14,301	Salaries, wages and short –term employee benefits
Amortization	2,723	123	2,846	Depreciation
Loss before the following	(10,763)	(94)	(10,857)	**Loss before the following**
Operating grant	8,400	-	8,400	Operating grant
Capital grant	2,452	14	2,466	Capital grant
Net Earnings	$ 89	$ (80)	$ 9	**Net Profit and Comprehensive Income**

Corporate Governance

AUTHORITY

Established in 1946, the Saskatchewan Transportation Company (STC; the Corporation) is a Crown Corporation of the province of Saskatchewan. STC is subject to *The Crown Corporations Act, 1993*, which provides the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's Crown Corporations, the authority to establish the direction of the Corporation.

BOARD OF DIRECTORS

Role of the Board

The primary function of the STC Board of Directors (Board) is to represent the shareholder as stewards of the Corporation. The Board has a statutory authority and obligation to oversee the affairs and business of the Corporation. The Board oversees Executive Officers, who are responsible for day-to-day operations, and through the Chief Executive Officer (CEO), sets the standards of organizational conduct and performance.

The CEO leads the development and implementation of strategic initiatives, policies, operating and capital budgets, makes recommendations and implements Board-approved initiatives, liaises with the Minister acting on behalf of the Province and shareholder, and manages the day-to-day business. The Minister Responsible for STC and Cabinet are tasked to communicate broad objectives for the Corporation and empower the Board to oversee the business of the Corporation.

The Board has its own Terms of Reference, along with responsibilities laid out in accordance with industries' "best practices" for corporate governance, as developed by the Canadian Securities Administrators.

Board Composition

The STC Board consists of independent directors who are appointed for a set term by the Lieutenant Governor in Council. The Lieutenant Governor in Council also designates the Chair and Vice Chair of the Board.

Board Compensation

Directors are paid an annual retainer and per diems: The Board Chair receives an annual retainer of $10,000 and a $600 meeting fee. Board members receive an annual retainer of $7,000 and a $500 meeting fee. Committee Chairs receive a $550 Committee Chair meeting fee.

Corporate Governance

In 2011, the composition of the Board was as follows:

Wayne Lorch
Regina based owner/President of Performance Marine (recipient of numerous customer service awards) and P.W. Lorch & Associates Ltd., an investment company and developer of Saskatchewan resort and commercial properties. 50 years of business experience in retail, manufacturing, Crown sector, international trade and investment, former Assistant Deputy Minister of Saskatchewan Economic Development and Trade, as well as a two year posting as Director of Economic Development and Trade at the Office of Saskatchewan's Agent General in London, England. Past President/multiple Paul Harris Fellow Regina Rotary Club, Past Director Regina and Saskatchewan Chambers of Commerce, founding committee member of the Western Canada Farm Progress Show, founding Director of the Saskatchewan Trade and Export Partnership (STEP) and member of the Federal Minister's advisory committee on judicial appointments for Saskatchewan. Supporter and sponsor of numerous community causes and events, including the annual Regina Dragon Boat Festival, hospital Mother Baby Care Project, the Canadian Progress Club Regina Centre's annual Charity Auction and Plywood Cup. Featured in 2009 Saskatchewan publication *Birth of a Boom: Lives & Legacies of Saskatchewan Entrepreneurs.*

Board Chair
Audit and Finance Committee Member
Compensation Committee Member

Jonathan Abrametz
Saskatoon based trial lawyer (KMP Law North) practices no fault and tort auto injury claims, claims against drunk drivers who cause injuries, and Criminal defense. Mr. Abrametz is involved in many charitable and community organizations, and facilitates educational sectionals for the Saskatchewan Bar Admission course.

Board Vice Chair
Audit and Finance Committee Member
Compensation Committee Member

Mervin Schneider
Prince Albert based Chartered Accountant, retired partner with Deloitte & Touche. Over 30 years of experience as a Chartered Accountant including Executive Committee, Office Managing Partner and Audit and Assurance Partner. Currently involved in serving on a number of profit and non profit Boards, for example, Rotary Club of Prince Albert, and Kinsmen Community Group Home Society. Carrying on a small business consulting practice. Completed training and received Chartered Director (C.Dir.) designation from McMaster University.

Audit and Finance Committee Chair
Compensation Committee Member

John Breakey
Estevan based oil, land services and farm entrepreneur, retired. Owner and manager of three other family corporations involved in oil and land operations. Past experience as a financial fieldman with Farm Debt Review Board. Regular participant in local charities and community organizations.

Governance and Corporate Responsibility Committee Chair
Compensation Committee Member

Amanda Crashley
Big River based Insurance broker, volunteer and mother of three. Insurance Broker for fourteen years. Highly involved in community, active volunteer with minor sports and cultural boards and associations. Board member for Ladder Valley Community Centre Co op, Big River and District Recreation and Cultural Board and the liaison to the Minor Sports Board. Also involved in various community fundraising projects each year.

Governance and Corporate Responsibility Committee Member

Corporate Governance (continued)

Bill Missal
Lang area farmer, retired. Past experience as a driver educator (Prairie View School District) as well as traffic safety representative (SGI) and traffic safety co-ordinator and director (Saskatchewan Safety Council). Assists with management and operation of a Regina retirement home. Current member of the Highway Traffic Board.

Audit and Finance Committee Member

Delmer Wagner
Moose Jaw based Director of Education, retired. Over 30 years of experience in the education field, including, Director of Education, Superintendent of Student Services, Principal, Vice Principal and teacher. Published author of numerous education related articles and studies. Highly involved in the community including a member of the League of Education Administrators, Superintendents and Directors, Knights of Columbus, etc.

Governance and Corporate Responsibility Committee Member

Mervin Massier
Saskatoon based consultant. Banking/financial background includes senior positions with Concentra Financial Corporate Banking, Barclays Bank of Canada, and Northland Bank. Current/past membership with the Saskatoon Chamber of Commerce, Saskatchewan Chamber of Commerce, Prairie Implement Manufacturer's Association, the North Saskatoon Business Association and Treasury Management Association of Canada.

Governance and Corporate Responsibility Committee Member

Corporate Governance (continued)

BOARD COMMITTEES

To assist the Board in fulfilling its obligations and meeting its responsibilities, the Board has statutory authority to establish any committees it considers necessary for the efficient conduct of the Corporation's business affairs and to prescribe duties to any committee it appoints. Each committee has its own Terms of Reference, outlining its authority and its areas of responsibility. Delegation of responsibility by the Board to a committee does not absolve the full Board from responsibility for a committee's work or decisions. The Board Chair is ex-officio on all Board Committees and may attend any meeting as appropriate.

The following committees acted in an advisory capacity to the Board of Directors in 2011.

Audit and Finance
Chair: Mervin Schneider
Committee Members: Jonathan Abrametz, Wayne Lorch, Bill Missal

The Audit and Finance Committee assists the Board in fulfilling its obligations and responsibilities for:

- overseeing the overall financial management of STC to ensure the integrity of internal financial controls and reporting processes;
- overseeing the provision of relevant and timely financial information to the Board;
- the appointment of the external auditor; and,
- ensuring appropriate follow-up of audit results.

Governance and Corporate Responsibility
Chair: John Breakey
Committee Members: Delmer Wagner, Amanda Crashley, Mervin Massier

The Governance and Corporate Responsibility Committee assists the Board in fulfilling its obligations and responsibilities for:

- developing and recommending best corporate governance practices and the annual strategic planning processes;
- overseeing human resource strategies, programs and practices;
- keeping current with developments and emerging best practices in corporate governance;
- ensuring the Corporation is proactive in addressing safety, health, and environment issues, and is in compliance with all statutory requirements;
- identifying and recommending competent, skilled candidates for appointment to the Board;
- reviewing the Board's Committee Terms of Reference and the skills matrix required for Board complement;
- managing evaluations of the Board, Committees, Chair and Director performance; and,
- providing oversight to the Corporation's code of conduct and ethics.

Corporate Governance (continued)

Compensation
Chair: Wayne Lorch
Committee Members: Jonathan Abrametz, Mervin Schneider, John Breakey

The Compensation Committee assists the Board in fulfilling its obligations and responsibilities for:

- making recommendations on the recruitment of the President and CEO;
- making recommendations on the goals and objectives, conducting annual performance evaluations, and recommending a compensation package for the President & CEO; and,
- making recommendations on Executive Compensation in accordance with CIC's Executive Compensation Framework.

CORPORATE GOVERNANCE PRACTICES

STC's approach to corporate governance practices is consistent with the guidelines set forth in the Canadian Securities Administrators (CSA) National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices. These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance. While the Saskatchewan Transportation Company is not a publicly traded company, its practices are benchmarked against these current industry best practices.

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
COMPOSITION OF THE BOARD		
NP 58-201, section 3.1 The Board should have a majority of independent directors.	All directors of the STC Board are independent members.	✓
NI 58-101F1, sections 1(a) to (d) 1(a) Disclose the identity of directors who are independent. 1(b) Disclose the identity of directors who are not independent and the basis for that determination. 1(c) Disclose whether the majority of directors are independent. 1(d) Disclose whether a director is a director or any other issuer that is a reporting issuer.	Wayne Lorch (Chair): INDEPENDENT President, Performance Marine Jonathan Abrametz: INDEPENDENT Lawyer, KMP Law North John Breakey: INDEPENDENT President, Lakewood Holdings Corporation and A.L. Breakey Oil Holdings Ltd. Mervin C. Massier: INDEPENDENT Retired, Banking Industry Professional Bill Missal: INDEPENDENT Retired, Business Person Mervin Schneider: INDEPENDENT Retired, Financial Industry Professional Delmer Wagner: INDEPENDENT Retired, Director of Education Amanda Crashley: INDEPENDENT Insurance Broker Section 1(d) does not apply to STC. STC does not have share capital and is not an issuer.	✓

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
COMPOSITION OF THE BOARD (continued)		
NP 58-201, section 3.2 The Chair of the Board should be an independent director who is the effective leader of the Board and who ensures that the Board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent director who provides effective leadership in all Board activities. Through meeting agendas, the Chair ensures that all required information and decision items are brought forward in a timely and effective manner enabling the Board to successfully carry out its mandate and responsibilities. The Chair also serves as liaison between the Board and the shareholder.	✓
NI 58-101F1, sections 1(f) 1(f) Disclose whether the Chair of the Board is an independent director; disclose the identity of the Chair and describe the role of the Chair.	Wayne Lorch is the Chair of the Board and is an independent director. The Chair reports to the CIC Board of Directors and is responsible to ensure that the shareholder receives accurate, relevant and timely information respecting Board actions and critical corporate issues and initiatives. As the chief spokesperson for the Board, the Chair communicates the Board's views, and reports back to the Board, respecting communications with the shareholder. The Chair functions in a leadership capacity, and has the statutory authority and obligation to preside over meetings of the Board, and to perform duties and exercise the powers assigned by the Board. The Chair's primary responsibilities are to: • chair meetings of the Board, ensuring that meetings are properly convened, business is conducted legally and accurate minutes of proceedings are recorded; • work with the CEO and Corporate Secretary to set Board meeting schedules and establish agendas; • monitor meeting attendance and encourage full participation of directors at meetings; • maintain open channels of communication with directors between meetings; • champion the Corporate approach to governance; • provide leadership in Board organization, optimizing Board and Committee structures and operations; • take a lead role in assessing and addressing any concerns related to the performance of the Board, its Committees or individual members;	✓

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
COMPOSITION OF THE BOARD (continued)		
	• assist directors to achieve full utilization of individual abilities, recommending orientation and training opportunities; • work with Committee Chairs to establish effective communications, information sharing mechanisms and establish clear delineation of responsibilities; • act as an ex officio member of all Board Committees; • coach, support and assist the CEO and senior management; • monitor and influence the strategic agenda of the Corporation, providing leadership and advice respecting strategic planning processes, supporting material and outcomes; and, • work with the CEO to develop and maintain productive relationships and represent the Corporation.	
MEETINGS OF INDEPENDENT DIRECTORS		
NP 58-201, section 3.3 The independent directors should hold regularly scheduled meetings at which non independent directors and members of management are not in attendance.	As a standing agenda item, the Board holds an in-camera session without management presence at each regular meeting.	✓
NI 58-101F1, sections 1(e) 1(e) Disclose where the independent directors hold regularly scheduled meetings at which members of management are not present; disclose the number of such meetings held in previous 12 months; if such meetings are not held, disclose what the Board does to facilitate open and candid discussion among independent directors.	The Board held regularly scheduled meetings at which members of management were not present. There were seven (7) regular Board meetings held in 2011, five (5) of which included in-camera sessions, the two (2) conference call meetings did not include in-camera sessions. The Board facilitates open and candid discussions by holding in-camera sessions during these regular meetings without management presence.	✓

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
MEETINGS OF INDEPENDENT DIRECTORS (continued)		
NI 58-101F1, sections 1(g) 1(g) Disclose the attendance record of each director for Board meetings held in the most recently completed financial year.	There were seven (7) Board meetings in the calendar year 2011. The following are the director's attendance statistics: Director — Meetings Attended* Wayne Lorch (Chair) — 7 of 7 Jonathan Abrametz — 7 of 7 John Breakey — 6 of 7 Mervin C. Massier — 7 of 7 Bill Missal — 7 of 7 Mervin Schneider — 5 of 7 Delmer Wagner — 7 of 7 Amanda Crashley — 7 of 7 * For the purpose of this report, members who attended meetings in part were considered to be present.	✓
BOARD MANDATE		
NP 58-201, section 3.4 The Board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for: (a) to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization; (b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;	The function of the Board is to act as stewards of the Corporation. The Board has a statutory authority and obligation to manage the affairs and business of the Corporation. While the fundamental objective of the Board is to act in the best interests of the Corporation, the Board has a responsibility to ensure congruence between shareholder expectations, corporate plans and management performance. The Board of Directors has a written Terms of Reference, which is reviewed annually. These terms outline its responsibilities and principal duties. a. One of the Board's principal duties is to appoint, monitor and evaluate the performance of the President & CEO, taking appropriate action as warranted. The Governance	✓

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
BOARD MANDATE (continued)		
(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	and Corporate Responsibility Committee has established reporting standards to promote a culture of ethical business conduct among other executive officers. b. The Board participates in an annual strategic planning process with officers and senior management. The outcome of this process establishes the core objectives and strategic direction of the Corporation for the upcoming year. A complete strategic plan is approved annually and includes the identification of business opportunities, threats, new initiatives, operating goals and performance measures. c. A principal duty of the Board is to identify principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and potential returns, and to oversee the implementation of appropriate systems to manage the risks. The Board delegates this responsibility to the Audit and Finance Committee.	
(d) succession planning (including appointing, training and monitoring senior management);	d. The Board has delegated the responsibility of succession planning to the Governance and Corporate Responsibility Committee to oversee. The Committee reviews the plan on an annual basis and reports its findings to the Board.	
(e) adopting a communication policy for the issuer;	e. The Board adopts policies and processes to enable effective communication with the shareholder, stakeholders and the public.	
(f) the issuer's internal control and management information systems; and,	f. The Board monitors the integrity of the Corporation's internal control and management information systems.	
(g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.	g. The Board has delegated the Corporation's approach to corporate governance to the Governance and Corporate Responsibility Committee to oversee.	
The written mandate of the Board should also set out measures for receiving feedback from stakeholders (e.g., the Board may wish to establish a process to permit stakeholders to directly contact the independent directors), and expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials.	STC surveys internal and external stakeholders to obtain feedback about Corporate activities. The Chair of the Board participates in a forum established by CIC, which is comprised of the chairs of all subsidiary Crown Boards and senior CIC officials, where issues of mutual interest and concern are shared.	

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
BOARD MANDATE (continued)		
	The Board's Terms of Reference outlines expectations and responsibilities of directors and it also provides the Chair the right to recommend to CIC the removal or replacement of a member that has missed two consecutive regularly scheduled Board meetings or has attended fewer than sixty percent of all meetings held in any year. STC is not an issuer.	
NI 58-101F1, sections 2 Disclose the text of the Board's written mandate.	The Board's principal responsibilities are described in the NP 58-201, section 3.4. The text of the Board's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	✓
POSITION DESCRIPTIONS		
NP 58-201, section 3.5 The Board should develop clear position descriptions for the Chair of the Board and the Chair of each Board Committee. In addition, the Board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The Board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.	*The Crown Corporations Act, 1993 subsection 23 (5)* and CIC "Chair of the Board Terms of Reference" outline the primary duties of the Chair of the Board. There is a Terms of Reference for the Board and each Committee of the Board and written position descriptions are in place for the Chair, each Committee chair, and the CEO. The Board's Terms of Reference sets out matters that require Board approval and delegate other matters to management. The Board annually approves a strategic business plan and performance management plan, which includes the Corporate objectives and goals (balanced scorecard targets) for the upcoming year. The CEO is ultimately responsible to the Board for meeting these goals and objectives.	✓

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
POSITION DESCRIPTIONS (continued)		
NI 58 101F1, sections 3(a) and (b) 3(a) Disclose whether the Board has developed written position descriptions for the chair of the Board and the Chair of each Board Committee and, if not, describe how the Board delineates the role and responsibilities of each such position. 3(b) Disclose whether the Board and CEO have developed a written position description for the CEO.	In addition to the Terms of Reference, which have been developed for the Board and Board Committees, a checklist of annual deliverables guide the Board's and Committees' planning and decision making, ensuring that all governance requirements are met. Through regular evaluations of performance, the Company can satisfy itself that all governance requirements for the Chair of the Board, Chair of Board Committees and CEO are met. Specific written position descriptions are in place to ensure governance standards are met in this area.	✓
ORIENTATION AND CONTINUING EDUCATION		
NP 58-201, section 3.6 The Board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the Board and its Committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.	Orientation sessions are held between management and directors, providing insights into the business and its operations. Written reference materials are provided to supplement these orientation sessions. The Board also receives regular operations and management updates at each of its regular meetings. In the circumstance that there are new Board members appointed, a Board orientation will be scheduled.	✓
NP 58-201, section 3.7 The Board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.	CIC's Board Training Program covers all the Crown Corporations' education programs. All STC Board members have the opportunity to take part in various sessions of this training throughout the year. Currently, modules are available from McMaster University's DeGroote School of Business for director certification.	✓

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
CODE OF BUSINESS CONDUCT AND ETHICS		
NP 58-201, section 3.8 The Board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the issuer. The code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues: (a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest; (b) protection and proper use of corporate assets and opportunities; (c) confidentiality of corporate information; (d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees; (e) compliance with laws, rules and regulations; and, (f) reporting of any illegal or unethical behaviour.	Directors and officers must comply with *The Crown Corporations Act, 1993* Part VI, which explicitly outlines duty of care, conflict of interest and indemnification. The Board must also comply with *CIC's Directors' Code of Conduct*, which is applicable to all directors of its subsidiary Crown Boards. A copy of the Director's Code of Conduct can be obtained by contacting the Corporate Secretary to the Board. Officers and employees of the Corporation must comply with STC's Code of Conduct. Management reports on the compliance with the Corporations Code of Ethical Conduct to the Governance and Corporate Responsibility Committee at each of its regular meetings.	✓
NP 58-201, section 3.9 The Board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the Board (or a Board Committee) only.	The Governance and Corporate Responsibility Committee has the duty and responsibility to administer the Director's Code of Conduct, reports on compliance with the code and provides advice to the directors on conflict of interest.	✓
NI 58-101F1, sections 5(a) 5(a) Disclose whether the Board has adopted a written code of ethical business conduct for the directors, officers and employees of the corporation; how to obtain a copy of the Code; how the Board monitors compliance with the Code and reference any material change report in the most recent financial year relating to any conduct of a director or officer that constitutes a departure from the code.	A copy of *CIC's Code of Conduct* can be obtained by contacting the Corporate Secretary to the Board. The Audit and Finance Committee assists the Board in fulfilling its financial accountability by maintaining oversight of the Corporation's budget and financial operations; reviewing internal controls; participating in the audit processes; monitoring capital assets; reviewing and	✓

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
CODE OF BUSINESS CONDUCT AND ETHICS (continued)		
	recommending on capital activities; and ensuring systems are in place to identify and manage risk. The Chair of the Audit and Finance Committee reports to the Board any such issues addressed by the Committee, and all directors receive summaries of risk management reports. The Governance and Corporate Responsibility Committee reviews, develops and maintains corporate governance practices and oversees the Board's nominating and governance activities. Duties and responsibilities include: overseeing processes for evaluating the performance of the Board, Committees, Chair, directors and CEO and ensuring Board orientation and opportunity for professional development. The Chair of the Governance and Corporate Responsibility Committee reports to the Board any such issues addressed by the Committee. No waivers from the Code were granted to any directors in 2011. In 2011, the Governance and Corporate Responsibility Committee received a report on officer and employee compliance with the Code at each quarterly meeting.	✓
NI 58-101F1, sections 5(b) 5(b) Describe steps that the Board takes to ensure directors exercise independent judgment in considering transactions and agreements where a director or officer has a material interest.	Where a director has, or is perceived to have, a personal interest in a transaction being considered by the Corporation, the director has a fiduciary responsibility to declare such interest at the meeting at which the matter is being considered. The CEO monitors agenda items to identify any issues where a director or officer may have a material interest and such items would not be distributed to the director	

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
CODE OF BUSINESS CONDUCT AND ETHICS (continued)		
NI 58-101F1, sections 5(c) 5(c) Describe other steps the Board takes to encourage and promote a culture of ethical business conduct.	The Governance and Corporate Responsibility Committee has been tasked with this undertaking to ensure that the Board is in full compliance with industry best practices in corporate governance..	✓
NOMINATIONS OF DIRECTORS		
NP 58-201, section 3.10 The Board should appoint a nominating Committee composed entirely of independent directors.	The Governance and Corporate Responsibility Committee serves as the nominating Committee and is comprised of all independent Board members.	✓
NI 58-101F1, sections 6(a) and (b) 6(a) Describe the process by which the Board identifies new candidates for Board nomination. 6(b) Disclose whether the Board has a nominating Committee composed entirely of independent directors and, if not, describe the steps the Board takes to encourage an objective nomination process.	The Governance and Corporate Responsibility Committee (the nominating Committee) is comprised of all independent Board members. They review skills and composition of current directors annually and perform a needs and skills assessment when the need for a new member arises. The Committee identifies skill sets required on the Board and seeks input from directors as well as independent sources and professional associations for nominees. It then recommends to the Board those nominees that have the required competencies to fill any identified skill gap(s). Potential candidates' Curriculum Vitaes (CVs) are reviewed to determine a fit with the Board's needs. The Chair of the Governance Committee produces a short list of candidates. The Committee makes recommendations to the Board and the Board then makes recommendations to the shareholder. The shareholder has the legislative authority to make Board appointments and all appointments are by Order in Council.	✓

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
NOMINATIONS OF DIRECTORS (continued)		
NP 58-201, section 3.11 The nominating Committee should have a written charter that clearly establishes the Committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subCommittees).	The Governance and Corporate Responsibility Committee's Terms of Reference establishes the Committee's role and responsibility to act as advisors to the Board regarding purpose and responsibilities that include the objectives to advise the Board regarding nominees for positions on the Board of Directors.	✓
NI 58-101F1, sections 6(c) 6(c) If the Board has a nominating Committee, describe the responsibilities, powers and operation of the Committee.	The Governance and Corporate Responsibility Committee performs the function of the nominating Committee and its Terms of Reference describes the responsibilities, powers and operation of the Committee. The Committee is appointed by the Board and serves in an advisory capacity. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	✓
NP 58-201, section 3.12 Prior to nominating or appointing individuals as directors, the Board should adopt a process involving the following steps: (a) Consider what competencies and skills the Board, as a whole, should possess. In doing so, the Board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another. (b) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the Board. Instead, the Board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.	The Board's nomination process meets these guidelines. As stated in its Terms of Reference, the Board shall be comprised of not more than ten (10) members. Board members are appointed by Order in Council.	✓

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
NOMINATIONS OF DIRECTORS (continued)		
The Board should also consider the appropriate size of the Board, with a view to facilitating effective decision making.		✓
NP 58-201, section 3.13 The nominating Committee should be responsible for identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for the next annual meeting of shareholders.	As outlined in its Terms of Reference, the Governance and Corporate Responsibility Committee has the responsibility to advise the Board regarding the composition of the Board and puts forward, for consideration, qualified nominations to fill vacant positions, which are then forwarded to CIC for consideration and decision.	✓
NP 58-201, section 3.14 In making its recommendations, the nominating Committee should consider: (a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; (b) the competencies and skills that the Board considers each existing director to possess; and, (c) the competencies and skills each new nominee will bring to the boardroom. The nominating Committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member.	The process followed by the Governance and Corporate Responsibility Committee complies with that set out in these guidelines.	✓

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
COMPENSATION		
NP 58-201, section 3.15 The Board should appoint a Compensation Committee composed entirely of independent directors.	The Board appoints a Compensation Committee. The composition of this Committee is the Board Chair, the Vice Chair, the Chair of Governance and Corporate Responsibility and the Chair of Audit and Finance.	✓
NI 58-101F1, sections 7(a) and (b) 7(a) Describe the process by which the Board determines compensation for the directors and officers of the Corporation. 7(b) Disclose whether the Board has a Compensation Committee composed entirely of independent directors and, if not, describe the steps the Board takes to ensure an objective process for determining such compensation.	Board Compensation is paid in accordance with *The Crown Corporations Act, 1993*, subsection 9 and CIC's remuneration schedule. These documents outline the annual remuneration and rates of reimbursement for the expenses incurred by directors of subsidiary Crown Corporations. A copy of CIC's remuneration and expense guidelines for directors can be obtained by contacting CIC or the Corporate Secretary to the Board. An Executive compensation framework has been established by CIC. The Board has the authority to approve compensation and benefit packages within that framework.	✓
NP 58-201, section 3.16 The Compensation Committee should have a written charter that establishes the Committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the Board. In addition, the Compensation Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	The Compensation Committee is established by the Board of Directors and has a Terms of Reference that establishes the duties and responsibilities of this Committee. If the Committee deems it necessary, it has the authority to engage outside professional advisors to properly discharge its functions, duties and responsibilities.	✓
NI 58-101F1, sections 7(c) 7(c) If the Board has a Compensation Committee, describe the responsibilities, powers and operation of the Committee.	The Committee shall be advisory to the Board and in such capacity shall:	✓

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
COMPENSATION (continued)		
	Make recommendations on the recruitment of the President and CEO; Make recommendations on the goals and objectives, conduct annual performance evaluations, and recommend a compensation package for the President & CEO; and, Make recommendations on Executive Compensation in accordance with CIC's Executive Compensation Framework.	✓
NP 58-201, section 3.17 The Compensation Committee should be responsible for: (a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation; (b) making recommendations to the Board with respect to non CEO officer and director compensation, incentive compensation plans and equity based plans; and, (c) reviewing executive compensation disclosure before the issuer publicly discloses this information.	For (a) & (b): these responsibilities are addressed as described above in section 7 (c). CEO, officer and employee compensation disclosure occurs in the form of an annual payee list, which is recommended to the Board by the Audit and Finance Committee. Upon Board approval, the payee list is submitted and publicly disclosed through tabling with the Crown and Central Agencies Committee of the legislature. Under *The Crown Employment Contracts Act*, the CEO, officers and senior managers, who report directly to the CEO, are also required to file their employment contract details to the Clerk of the Executive Council.	✓
NI 58-101F1, sections 7(d) 7(d) If a compensation consultant has been retained, at any time during the Corporation's most recently completed fiscal year, to assist in determining compensation for any of the Corporation's directors and officers, disclose the identity of the consultant and briefly summarize their mandate. If retained to perform any other work, state the fact and briefly describe the nature of the work.	In 2011, the Corporation did not retain a compensation consultant.	✓

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2011	Consistent with CSA Guidelines
OTHER BOARD COMMITTEES		
NI 58-101F1, sections 8 If the Board has standing Committees of the Board, other than audit, compensation and nominating Committees, identify the Committees and describe their function.	Committees of the Board include the Governance and Corporate Responsibility Committee, the Audit and Finance Committee and the Compensation Committee. Their functions are described in previous sections. The Board does not have any other Committees.	✓
BOARD ASSESSMENTS		
NP 58-201, section 3.18 The Board, its Committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider (a) in the case of the Board or a Board Committee, its mandate or charter, and (b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the Board.	The Governance and Corporate Responsibility Committee, with the assistance of the Corporate Secretary to the Board, is responsible for conducting such evaluations and reporting results to the Board. All CIC subsidiary Crown Corporation Boards conduct performance evaluations on a two year cycle. Director peer, Committee Chair and Committee evaluations were conducted in 2009 and all CIC subsidiary Crown Boards completed performance evaluations of the Board and the Board Chair in 2010. Director peer, Committee Chair and Board Committee evaluations were conducted in 2011. The Board and its Committees review their Terms of Reference annually. Directors' skills are reviewed annually; individual directors are plotted on a skills matrix and are assessed as part of a regular peer review.	✓
NI 58-101F1, sections 9(a) 9(a) Disclose whether the Board, its Committees and individual directors are regularly assessed with respect to their effectiveness and contributions and, if yes, describe the process used.	The evaluations are conducted using an instrument developed by CIC. Directors complete surveys, which allow them to provide feedback in writing on the effectiveness of the Board, Committees, Chairs and individual directors. The Governance and Corporate Responsibility Committee outlines evaluation results, which are submitted to the Board for review and approval. The Committee tracks implementation of any action items	✓

Corporate Directory

EXECUTIVE OFFICERS

SHAWN GRICE
President and Chief Executive Officer

Shawn Grice was appointed as STC's President and Chief Executive Officer in August 2010, after acting in the role since February 2010. Before becoming CEO, Mr. Grice served as Chief Financial Officer (CFO) since 1998. Previous to his joining the company, Mr. Grice was employed with Crown Investments Corporation, the Saskatchewan Department of Finance, and KPMG Peat Marwick Thorne. Mr. Grice graduated with a Bachelor of Commerce (Great Distinction) from the University of Saskatchewan and also holds a Chartered Accountant (CA) designation. Mr. Grice is a Board member with the Canadian Bus Association. He is also a Board member and Finance Chair with the Regina Downtown Business Improvement District.

JASON SHERWIN
Chief Financial Officer

Jason Sherwin was appointed Chief Financial Officer in April 2011, after acting in the role since February 2010. Mr. Sherwin rejoined the company in January 2009 as Director of Finance, having worked with STC previously from 1999-2004 as Assistant Controller. Prior to 2009, Mr. Sherwin was employed with Greystone Managed Investments Inc. as Manager, Real Estate Portfolio Administration and as Controller with PW Group. Mr. Sherwin also held accounting positions with Markusson New Holland and KPMG. He graduated with a Bachelor of Commerce (Distinction) from the University of Saskatchewan and also holds a Chartered Accountant (CA) designation.

PHIL BOHAY
Chief Operating Officer

Phil Bohay joined STC in June 2008 to head STC Customer Services and Operations. Mr. Bohay was employed for 36 years with SaskTel in various areas of the company, working his way up to senior management positions, culminating in General Manager, Customer Services-Business Sales. Mr. Bohay holds a Master of Business Administration degree from the University of Regina, is a graduate of the Duke University Program for Manager Development and holds a certificate in Advanced Marketing from the Banff School of Management. Mr. Bohay is a Board member with the Canadian Bus Association. He served as a board member for Junior Achievement, Southern Saskatchewan from 2008 to 2010.

BRAD DEWALD
Executive Director, Corporate Systems and Technology

Brad Dewald was first employed at STC from May 2000 to October 2004, and returned in October 2006 as Director of Corporate Systems and Technology. From November 2004 to September 2006, Mr. Dewald led SaskEnergy's Information Technology team, and prior to joining STC in 2000, he was the technical lead for 12 years at the Saskatchewan Liquor and Gaming Authority. He also spent four years in the consulting industry where he was a key member of a team that first automated Saskatchewan's justice system. Mr. Dewald graduated with a Business Diploma majoring in Data Processing.

DON ASH

Executive Director, Human Resources and Payroll

Don Ash was first employed at STC from 1995 to 1998 as Director Human Resources, Vice President Customer Services and Acting President. He returned in January 2012 as Executive Director, Human Resources and Payroll. Mr. Ash brings a wealth of executive, leadership and management experience from his four years at Crown Investments Corporation, seven years at SaskEnergy, seven years at SaskPower, and from his own consulting firm. Mr. Ash is a Certified Human Resource Professional (CHRP) and a member of the Saskatchewan Association of Human Resource Professionals. Mr. Ash is a graduate of the Vocational Rehabilitation Research Institute, Rehabilitation Supervisors Program, Calgary Alberta; Life Skills Coach from the University of Regina; and currently a student with Royal Roads University, British Columbia in the Graduate Certification in Executive Coaching.

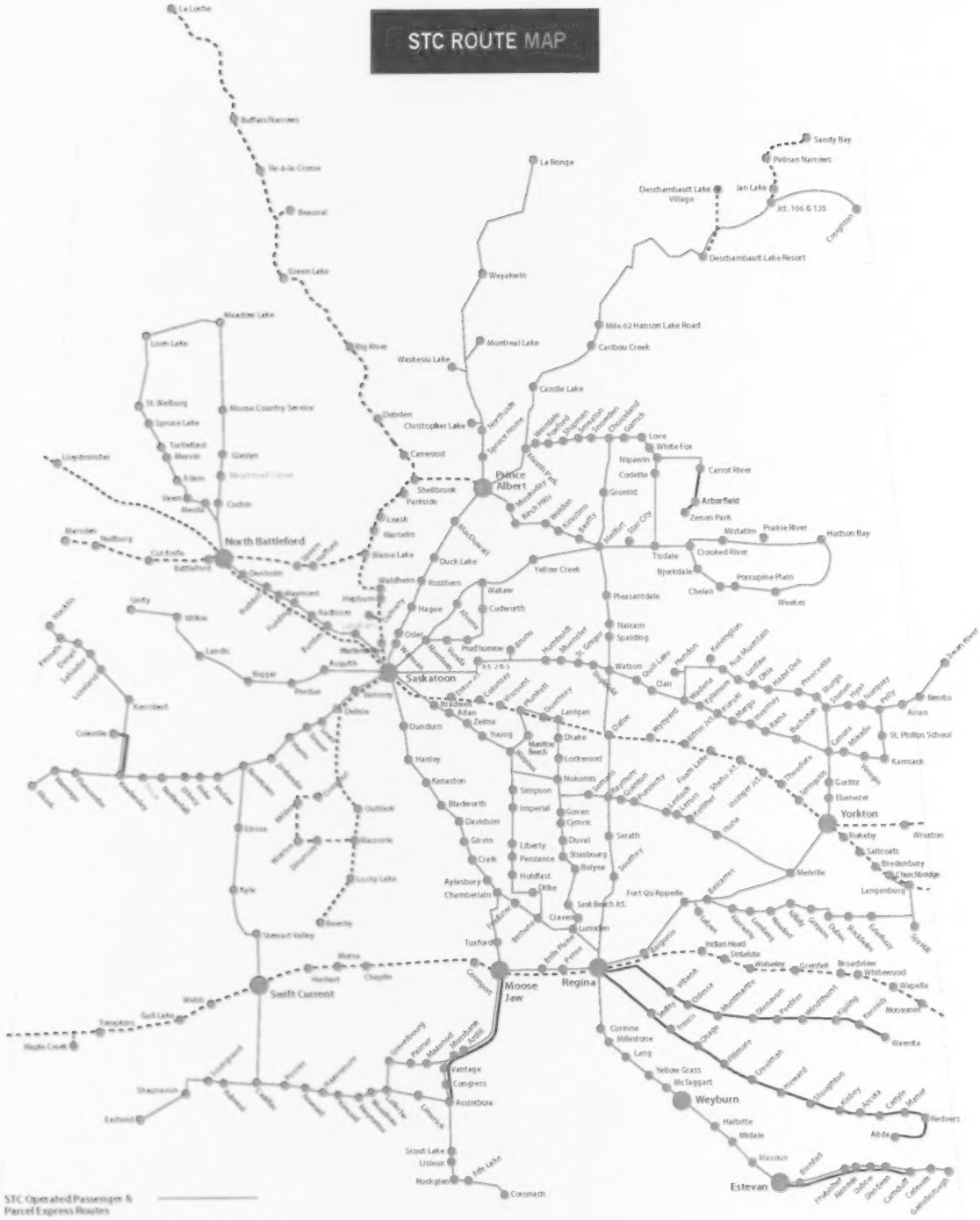
DEANNA BERGBUSCH

Executive Director, Strategic Planning and Communications

Deanna Bergbusch joined STC in May 2011 to lead Strategic Planning and Communications. Ms. Bergbusch spent 18 years with SaskTel in positions of increasing responsibility including ten years as a Director of various divisions: customer service, wholesale marketing and sales, corporate project management office and human resources strategic planning. Ms. Bergbusch moved to the Director, Enterprise Planning Office at Information Service Corporation (ISC) in April 2008 to create their Enterprise Project Management Office and Strategic Planning discipline. Ms. Bergbusch has a Bachelor of Commerce degree (Entrepreneurship and Marketing) from McGill University and a Master of Business Administration (MBA) from the University of Saskatchewan. She holds a Project Management Professional (PMP) designation and a Strategic Planner certification.

Salary ranges for STC's Executive Team, as of December 31, 2011, are:
- *President and Chief Executive Officer: $138,861 to $174,576*
- *Other Executive members: $100,326 to $147,539*

STC ROUTE MAP


La Loche
Buffalo Narrows
Ile-a-la-Crosse
Beauval
Green Lake
Meadow Lake
Loon Lake
St. Walburg
Spruce Lake
Turtleford
Marsden
Edam
Vawn
Meota
Cochin
Lloydminster
Glaslyn
Maidstone
Sedberg
Cut Knife
Battleford
North Battleford
Denholm
Paynton
Redberry
Radisson
Hafford
Blaine Lake
Leask
Hepburn
Marcelin
Shellbrook
Parkside
Canwood
Debden
Big River
Waskesiu Lake
Christopher Lake
Montreal Lake
La Ronge
Weyakwin
Sandy Bay
Pelican Narrows
Deschambault Lake Village
Jan Lake
Jct. 106 & 135
Creighton
Deschambault Lake Resort
Mile 62 Hanson Lake Road
Caribou Creek
Candle Lake
Northside
Spruce Home
Wenslde
Forfar
Shipman
Emerson
Snowden
Choiceland
Garrick
Love
White Fox
Nipawin
Codette
Carrot River
Arborfield
Zenon Park
Gronlid
Star City
Melfort
Kinistino
Naicam
Spalding
Watson
Quill Lake
Hendon
Kensington
Mistatim
Prairie River
Hudson Bay
Crooked River
Tisdale
Bjorkdale
Porcupine Plain
Chelan
Weekes
Pleasantdale
Yellow Creek
Wakaw
Cudworth
Prince Albert
Meath Park
Muskeboy
Birch Hills
Weldon
Smeaton
Parkside
Shellbrook
Leask
Hepburn
Marcelin
Blaine Lake
Duck Lake
Rosthern
Waldheim
Hague
Osler
Martensville
Warman
Hepburn
Aberdeen
Langham
Borden
Saskatoon
Dundurn
Allan
Zelma
Young
Drake
Lockwood
Manitou Beach
Watrous
Hanley
Kenaston
Bladworth
Davidson
Girvin
Craik
Aylesbury
Chamberlain
Elrose
Outlook
Macrorie
Lucky Lake
Kyle
Stewart Valley
Swift Current
Webb
Gull Lake
Maple Creek
Shaunavon
Eastend
Bracken
Ponteix
Frontier
Val Marie
Climax
Limerick
Assiniboia
Vantage
Congress
Gravelbourg
Palmer
Mossbank
Scout Lake
Lisieux
Rockglen
Rose Valley
Melfort
Star City
Kinistino
Nipawin
Codette
Carrot River
Arborfield
Zenon Park
Mistatim
Prairie River
Hudson Bay
Crooked River
Tisdale
Bjorkdale
Porcupine Plain
Chelan
Weekes
Pleasantdale
Naicam
Spalding
Watson
Quill Lake
Hendon
Kensington
Mont Nourrish
Otto
Madel Deil
Preeceville
Sturgis
Kamsack
Canora
Norquay
Veregin
Ebenezer
Yorkton
Wroxton
Rokeby
Saltcoats
Bredenbury
Langenburg
Melville
Esterhazy
Grayson
Kamsack
Veregin
Gorlitz

2011 CORPORATE PROFILE

- Established in 1946
- Operates 29 bus routes, travelling 3.2 million miles per year
- Serves 290 communities in Saskatchewan
- Has 197 agents operating in Saskatchewan
- Owns and operates passenger and parcel express terminals in Regina, Saskatoon and Prince Albert
- Operates two service garages; one in Saskatoon and the other in Regina
- Maintains its head office in Regina
- Has a fleet of 43 coaches, 23 per cent of which are wheelchair accessible, varying in size from 18 seats to 55 seats, as well as a freight truck and 29 freight trailers
- Employs 231 people; approximately 84 per cent of STC's workforce is unionized (194 out of 231 as of December 31, 2011)
- The Amalgamated Transit Union Local 1374 represents the in-scope employees
- $12.9 million of annual payroll (2010: $12.0 million)
- $40.6 million of assets (2010: $41.0 million)
- $16.7 million of revenues (2010: $16.2 million)
- $28.1 million of operating expenses (2010: $27.1 million)
- $0.9 million of capital expenditures (2010: $2.1 million)*

* The remaining 2011 capital is primarily for fleet ordered in 2011 which will be delivered in 2012

Mission

To provide value to Saskatchewan residents with convenient, affordable, safe, clean, comfortable, courteous, environmentally friendly and reliable passenger and freight transportation services.

Vision

To be the best passenger and freight transportation Company in Canada.

Values

All business activities are conducted in a manner that is:

- Honest
- Dependable
- Innovative
- Respectful
- Socially and Environmentally Responsible

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RIDE IN COMFORT,
RIDE SAFELY,
RIDE WITH STC.